



NAVIGATING UNCERTAINTY IN THE WORKPLACE

INSIGHTS FROM PAYSACLE LEADERS
ON ADDRESSING THE CURRENT
ECONOMIC CLIMATE



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The contents of this e-book constitute a summary of highlights from a recent webinar interviewing PayScale's C-suite leadership team about the current economic climate and response to the coronavirus. The full webinar is available as a recording.

ACCESS THE WEBINAR

WHO WE ARE

PayScale is a compensation technology company dedicated to helping companies maximize the investment in their people.

WHAT WE DO

We bring together the power of technology, relevant compensation data, and professional services to help companies get pay right in any economic environment.

HOW WE CAN HELP

The more that decisions can be driven by facts and data, the better the results. In an economic downturn, the number one controllable expense that any organization has is payroll. Pay is also incredibly important to employee engagement and morale. A strategic approach to compensation and benefits is therefore critical in any economic climate.



PayScale is uniquely positioned to provide unparalleled salary data and compensation software as well as professional services to assist HR leaders and compensation professionals in these tumultuous times.

BY THE NUMBERS

- **65 million** total salary profiles forming the world's largest compensation database.
- **8,000 clients** from SMBs to global enterprises in the Fortune 1000.
- **10 million website** visitors contributing 300,000 fresh salary records of Crowdsourced data each month that are verified for accuracy using algorithms and machine learning.
- **1,900 employer participants** in our Company Sourced data representing 5,500 jobs and 2.53 million employees across 28 industries.
- **250 surveys available** through traditional salary survey providers for best-in-class survey management.
- **12 years of salary data** going back to the Great Recession of 2007-2009.

UNIQUE VALUE PROVIDED

Thought leadership on compensation best practices

Technology that can bring you real insights and solutions for managing pay

Verified market data from Company Sourced, Crowdsourced and traditional third-party surveys

Professional services to help guide you through this crisis

A MESSAGE FROM THE CEO

During these times of uncertainty, HR and compensation professionals are working diligently to make sure employees are safe and taken care of. I've had conversations with many of our clients — individuals just like yourselves — about changes they are making to pay and healthcare benefits, innovations they are implementing to support employees now working remotely, and how HR as a whole has had to rise up to provide the strategic leadership needed to address the challenges facing us all.

There are some of us who feel lost or paralyzed by recent events and truly uncertain of what the months ahead hold. I know I feel this way too at times. But regardless of how we feel, or how much we have had to adapt to the new normal, I want you to know that we are all in this together.

The fact of the matter is that, despite these times, getting pay right is a critical component of business operations. Employees are the greatest of asset of any company. Strong workforce management and employee engagement, of which compensation and benefits plays an intrinsic role, might mean the difference between getting ahead, remaining stable, or going under in an uncertain economy.

The good news is that PayScale has over a decade of salary data and proven experience in compensation management as well as the freshest and most robust data on the market to help HR and comp pros get pay right during periods of both economic growth and contraction.

We invite all of you to help us build a community to support each other and learn from one another to get through these times together and come out stronger on the other side.

Until next time, please stay safe and healthy.



SCOTT TORREY
CHIEF EXECUTIVE OFFICER

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1. SITUATIONAL SUMMARY AND TOP PRIORITIES

Different companies are facing different challenges right now. Some are experiencing a surge in demand while others have completely — or nearly completely — lost their customer base. How companies will emerge from the current crisis will depend a lot on how they entered it as well as what they choose to do to seize on what opportunities they have to deliver value to customers in this new normal.

In times of uncertainty and distress, companies look to shore up finances. The first level is to enact hiring freezes, control travel, cut expenses, hold back on consultants, contractors and contingency labor, and delay capital expenses. The second level is to review spend and see if adjustments can be made to payment terms with deferments on expenses like rent as well as discretionary items. The third level is to look at payroll and employees, which is both an organization's greatest asset and also its greatest expense.

Responses to cutting employee expenditures can vary widely. Some organizations may look to cut back on benefits expenses, such as suspending 401K matching, or freeze merit pay increases, or reduce pay. Other organizations will consider furloughing or laying off employees. The right direction, as well as the severity needed, depends a lot on the industry, location, and health of the business as well as your view on how long and how dark the current situation is going to get.

If you have to decide between layoffs and pay cuts, it can help to revisit your mission and purpose and reflect on the decision in context of your strategy and the core values of your business.

You should also look at where your opportunities for growth are strongest and make bold decisions to pivot in the direction that allows you to provide the most value to customers in the current circumstances. For example, for PayScale, the SMB segment is the most challenged, but there is a lot of opportunity in the enterprise segment where we can bring new products and data that would be of tremendous value to customers, particularly in a down economy.

For most businesses, getting to the right decisions will involve getting the data down on paper, reviewing all of your resources, and contextualizing in terms of your industry, location, and overall financial health and opportunity.

Beyond financial decisions, the most important thing that leadership and HR can do during a crisis like the one we are experiencing is to communicate effectively. Health and safety of employees should be paramount, which should include encouraging employees to work from home if they can, being understanding of the challenges associated with economic shut-down and being flexible with sick leave.

**“REGARDLESS OF HOW WE FEEL OR
HOW MUCH OUR COMPANIES HAVE
HAD TO CHANGE TO ADAPT TO THE NEW
NORMAL, I WANT YOU TO KNOW THAT
WE ARE ALL IN THIS TOGETHER.”**

SCOTT TORREY, CEO OF PAYSCALE

FROM OUR BLOG: COMPENSATION TODAY

The Current State of the Economy and What it Means for Compensation

[Excerpt] "Traditionally, a recession is defined as two consecutive quarters of negative GDP growth. The current situation hasn't lasted two quarters, but the indicators of a recession are nevertheless strong and loud... In January, we assessed whether a recession is coming in 2020 by looking at three markers: the treasury yield curve, trade and production (National GDP), and the health of the labor market. Let's take a look at those markers again now..."

[READ MORE](#)

FROM OUR BLOG: COMPENSATION TODAY

How to Manage Remote Teams Working from Home

[Excerpt] "...The coronavirus pandemic has forced perhaps the world's largest remote work experiment. Employers may come to realize that working remotely has benefits as well as drawbacks – increased productivity among them."

[READ MORE](#)

2. BRANDING AND ENGAGEMENT

Has the current crisis changed the importance of employer branding?

Branding is not something you can pause in times of uncertainty. Brand is something you are always building and reinforcing at every touch point with customers, employees and job candidates. Arguably, brands are established more in times of crisis than times of prosperity. Constant communication is therefore critical. It's not always going to be a smooth ride, but communication can help to level out the bumps.

When it comes to retaining top talent, especially if you have to furlough employees, communication is especially critical. The more connected and valued employees feel, the more likely they will be loyal to the company and invigorated when things return to normal.

Are we still in a War for Talent?

Although the market may no longer be candidate-driven, the War for Talent will continue for certain businesses, positions, and locations. For example, [in the tech market, wages are still growing](#). Attracting leadership talent will also still require a strategic approach and competitive offers, especially if you are trying to convince someone to leave a stable position to join you at an unstable time. Networking and the ability to build personal relationships with candidates will be more important than ever.

However, we are seeing shifts in supply and demand from an economic perspective for a lot of occupations and roles. PayScale has the most up-to-date data on wage growth and losses by industry, occupation, and geography, which we will be sharing to help businesses refine their talent strategy in a new economy.

How can companies protect their culture with so much uncertainty in the workplace?

Company culture is an intrinsic part of brand and a critical component in how job candidates select a company to work for and why employees choose to remain with a company. When times are tough, there's a tendency to put "culture" on the back burner, but this isn't how culture works. Some organizations view culture as the fun things a company does, like happy hours and parties, but culture is defined more by what a company prioritizes, how it reacts, and how it treats its people. In this sense, the decision to put "culture" on the back burner during a crisis defines the culture of that business.

In other words, culture goes deep. It goes beyond the financial health of a company. A crisis is an opportunity to make your culture stronger than ever, to demonstrate values and uphold principles and purpose. However, it isn't something that can be owned by a single steward of culture. Defining the company culture largely falls on the shoulders of leadership, but it works its way down and every member of the company plays a hand in it.

“**A STRONG EMPLOYER BRAND IS MADE IN TIMES OF CRISIS MORE THAN IT IS IN TIMES OF SUCCESS. YOU HAVE TO HAVE THAT EYE FOR HOW TO RISE TO THE OCCASION.**”

ADRIANNA BURROWS, CMO OF PAYSCALE

3. COMPENSATION AND BENEFITS

How should companies handle merit pay increases in this environment?

Most companies have a planning cycle that anticipates merit increases and promotions. Whether or not that plan needs to be revisited depends on your compensation strategy and other decisions the company has made to stay financially healthy during this time.

For example, PayScale has made no changes in its policy around merit raises and promotions. We do them twice a year and that time isn't upon us yet. Because we are a data-driven company we will rely on data to tell us whether we need to make changes to our policy on merit-based pay raises when the time comes.

Part of what we look at to determine our policy is the environment we are in as well as historical data for our market, such as the impact of the 2007-2009 recession on wages in the tech industry in Seattle, which has long been competitive, even in a down economy. As such, we don't see preemptively putting a freeze on merit increases and promotions as conducive to our talent strategy or the growth of our business. We may see a slow-down of merit increases this year, but we are not making a blanket statement at this point. If the situation permits, we want to continue to be a company that values performance.

How are companies handling PTO and sick pay balances?

The answer to this question depends a lot on where your business falls in the support curve for recent legislation around employee care. It's important to be mindful and aware of what resources are available to you as well as how you must respond to be legally compliant.

From our [2020 Compensation Best Practices Report](#), we know that 11 percent of companies offered unlimited PTO in 2019. Our hypothesis is that more employers will explore this, both because of the accounting benefits and also because of the reality that in this environment you're just going to have to trust employees more.

[SHRM](#) is also recommending that companies review their sick leave policy and extend sick leave for employees who contract the coronavirus, both from a humanitarian perspective and also from a practical consideration. Employees who cannot afford to take unpaid leave will come to work sick and infect others, which will hurt your business.

Our partner [Mercer has polled organizations](#) and reported that 40 percent are retaining their current sick leave policies, 35 have loosened their sick leave policies, and 25 percent are allowing employees to take leave as needed. These numbers are evolving.

Given the overall uncertainty in the workplace, the theme is to be human and to trust and support your employees right now.

Are there insights from the 2008 recession that might inform how things will move from here?

PayScale has been around for 15 years and has a treasure trove of data on historical wages. We took a look and found that there was a significant compression in pay after the Great Recession that took four to five years to recover. For the current crisis, we estimate a sharper wage drop with a sharp recovery. For example, our current data shows that wages in the retail and customer service industry dropped 8.8 percent between February and March, which gives you a sense of the steepness of the curve at present. Of course, the speed at which we go down can also inform the speed at which we recover, especially with help from government stimulus.

One area that employers should look out for during and after a recession is [salary compression](#), which is when newer hires are paid more than tenured employees as wages start to improve. For this reason, compensation adjustments should include not only annual raises and merit raises based on performance, but also adjustments based on what the market is doing by geographical location and job position. Compensation software makes it easier for companies to discover and resolve pay inequities such as this.

“**EMPLOYEES ARE BY FAR
OUR GREATEST ASSET.**”

JAMES REDFERN, CFO OF PAYSCALE

FROM OUR BLOG: COMPENSATION TODAY

Why Compensation Matters More Than Ever Right Now

[Excerpt] “Just because an organization is tightening its belt to make it through a difficult season doesn’t mean that it can stop valuing its employees. If anything, an uncertain economy is precisely the time that employers should be looking more closely at employee satisfaction and evaluating what to do with red circled (overpaid) and green circled (underpaid) employees to make sure that the organization is being as thoughtful and judicious as possible in how they are spending their payroll dollars.”

READ MORE

4. THE IMPORTANCE OF COMMUNICATION

When and how should we tell our employees about tough decisions like pay freezes or layoffs?

Every company having to make tough decisions right now has our sympathies. It's not easy, but it's important to remember that you're not alone. Many companies are having to make and communicate difficult decisions. At PayScale, we have attempted to be highly communicative. We are putting out weekly video updates on the data we are seeing that is informing our decisions as we make them. We have also hosted all-hands company meetings to explain some of the more difficult decisions we have had to make, intentionally allowing time to explain the what, the why, and the how as well as answer employee questions.

The other thing we are doing is leveraging influencers within our organization and working with them to make sure they really understand the decisions we are making and can communicate them properly to others. As leaders, we want to eliminate unnecessary fear and uncertainty in the workplace and bring the focus to what we are going to do and what we can control. We can't control external market factors, but we can control how we show up to engage our customers, how we build and deliver software, how we can be innovative in getting our prospects to talk with us, and how we provide value through unparalleled market data and insights.

“COMMUNICATION TO EMPLOYEES IS SO CRITICAL AT THIS TIME... WE CAN'T SHARE EVERYTHING WITH OUR EMPLOYEE BASE BUT SHARING THE EXTENT THAT YOU CAN GOES A LONG WAY.”

ADRIANNA BURROWS, CMO OF PAYSCALE

What is PayScale doing to communicate effectively while working remotely?

We have a sophisticated approach to IT that has made it relatively painless for all of our employees to work from home while enjoying secure access to needed networks and systems. To communicate, we use a variety of collaboration tools and technology. We have been using Slack and Zoom, for example, for company chat and video conferencing.

We also host virtual happy hours, deliver executive messages via video, and make sure that we actively solicit employee involvement in maintaining our culture even when we're apart from each other.

FROM OUR BLOG: COMPENSATION TODAY

How to Train Managers on Pay Communications to Boost Employee Morale

[Excerpt] "According to our 2020 Compensation Best Practices Report, 70 percent of organizations either have a compensation strategy or are working on one, but only 32 percent train managers to talk about compensation with employees. In this post, we provide you with an agenda and detailed recommendations for training managers on how to talk to employees about pay."

[READ MORE](#)

5. THE VALUE OF PAYSACLE PRODUCT SOLUTIONS

Why is compensation data and software relevant right now?

Compensation is a critical part of managing uncertainty in the workforce and having fresh, reliable market data is incredibly important in making pay decisions.

PayScale has 15 years of salary data as well as compensation planning experience to help HR and compensation professionals build compensation structures and maximize their payroll dollars, both in times of economic growth and economic contraction. With PayScale products and services, you have all the resources you need to create a compensation strategy and benchmark salary ranges for all of your job positions. In addition to helping you save money in the near-term, building out a sophisticated compensation strategy now will also help you win over top talent later when the economy shifts again.

Most importantly, PayScale has the freshest salary data on the market as well as multiple sources of data. We offer Company Sourced data and third-party survey data through our partners as well as Crowdsourced data that is continuously updated and verified by our data research team. This data is changing every week and provides PayScale customers with the most up-to-date salary data available to maximize payroll expenses without undercutting the talent you need to get through this crisis.

**“WE’RE COMMITTED TO MAKING
OUR DATA THE GOLD STANDARD.”**

SCOTT TORREY, CEO OF PAYSACLE

What is PayScale doing differently to help customers right now?

We recognize that freshness of salary data is extremely important right now. Fortunately, PayScale has a competitive advantage when it comes to fresh salary data. As such, we are offering our Crowdsourced and Company Sourced data to new and existing customers of PayScale MarketPay free for a limited time as part of a [special promotion](#) to help companies combat compensation challenges and uncertainty in the workplace.

SPECIAL PROMOTION: FREE SALARY DATA WITH PAYSACLE MARKETPAY

The special promotion for our Crowdsourced and Company Sourced Data is available to new and existing customers of PayScale MarketPay until the end of June 2020 and will last for one year. Current customers should reach out to their representative. New customers should request a demo so one of our representatives can get in touch with you.

[LEARN MORE](#)

[REQUEST A DEMO](#)

RESOURCES & CONTACT

CONTENT REFERENCES

Situational Summary and Top Priorities

(Blog) [The Current State of the Economy and What it Means for Compensation](#)

(Blog) [How Employers are Stepping Up to Combat the Coronavirus Crisis](#)

Branding and Engagement

(Blog) [How to Manage Remote Teams Working from Home During the Coronavirus](#)

(Blog) [Unproductive Turnover? Tips to Get Top Performing Employees to Stay](#)

Compensation Planning and Benefits

(Blog) [Why Compensation Planning Matters More Than Ever Right Now](#)

(Blog) [The Impact of the Coronavirus on 2020 Compensation Best Practices](#)

(Data Report) [The 2020 Compensation Best Practices Report](#)

Importance of Communication

(Blog) [How to Boost Employee Morale with Pay Communications](#)

(Blog) [5 Tips to Immediately Improve Pay Communications](#)

(Blog) [What is Pay Communication and Why Does it Matter?](#)

(Whitepaper) [The Definitive Guide to Pay Communications](#)

PayScale Product Solutions

(Blog) [Free Salary Data Now Available for Customers of PayScale MarketPay](#)

(Blog) [What is the ROI of Compensation Management Software?](#)

(Blog) [How PayScale Prepares You for Salary Survey Participation Season](#)

ACCESS THE FULL WEBINAR

FOR ALL THE INSIGHTS FROM OUR RECENT WEBINAR INTERVIEWING THE EXECUTIVE LEADERSHIP TEAM AT PAYSCALE, YOU CAN [LISTEN TO THE FULL INTERVIEW NOW AS A RECORDING.](#)

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Interested in how compensation management software can help you build compensation strategies in an uncertain economy?

REQUEST A DEMO

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