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NOVEMBER 2021

## Remote Work Practices

*Policies and Pay for your Remote Workforce*

# Introduction

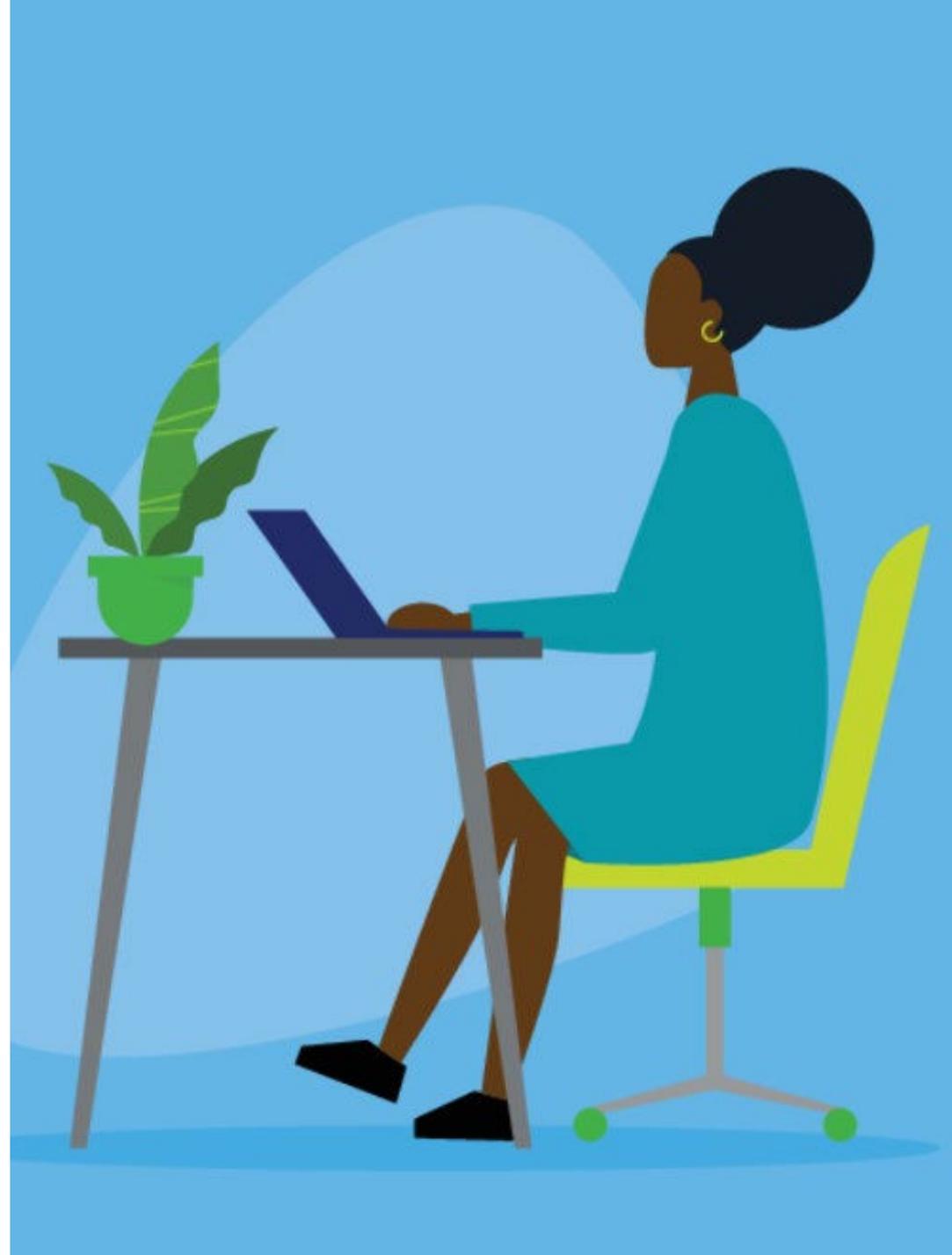
The Remote Work Practices Survey was initially published in January 2021 in partnership between Empsight International, LLC and Deloitte Consulting LLP. This survey gathered the responses of 202 companies from a cross-section of industries to understand their Remote Work practices and policies and the impact of COVID-19 on these.

This reports covers the findings from a follow-up survey to the original that was conducted in August/September 2021. This survey received responses from over 130 organizations.

The results confirm our expectation that as we emerge from the COVID-19 pandemic, remote work is here to stay, with most organizations adopting a hybrid approach.

Furthermore, the majority of companies in the study (82.5%) who utilize geographically differentiated salary ranges or pay zones apply those to individuals who work remotely or in a hybrid manner.

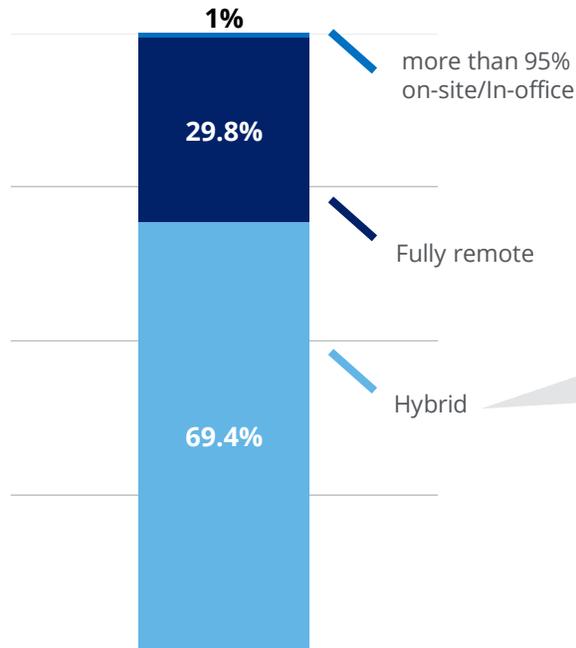
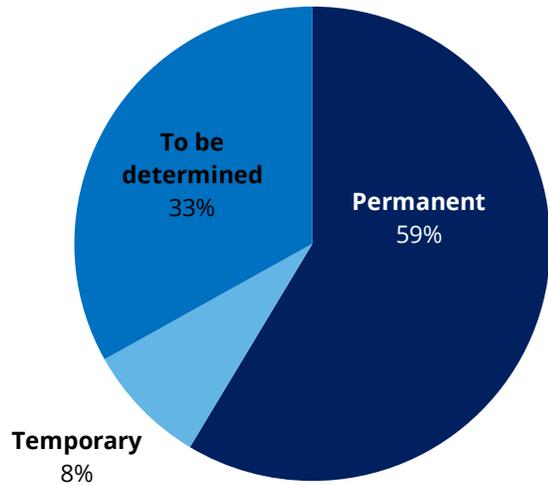
This report covers the findings from the survey, and how organizations are adjusting to the continuation of remote work following the COVID-19 pandemic.



# Remote Work Policies

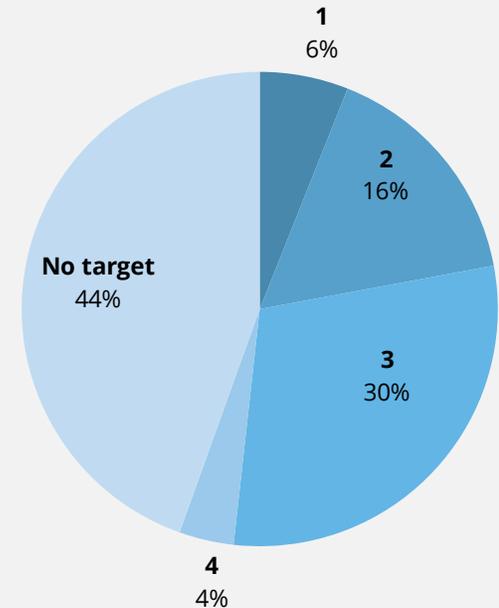
**58.6%** of respondents said that their remote work policy is permanent compared to only **41.5%** of organizations previously. Of these remote work policies, the majority feature a **hybrid** approach, with workers performing their duties in part remotely and in part on-site/in-office. An additional **33.1%** of respondents have yet to decide if their remote work policy is here to stay, but **78.7%** of respondents said there is flexibility for **100%** remote work.

Are your remote work policies temporary or permanent?



What is your current remote work policy?

For the majority of hybrid employees, what is the number of required in-office days per week?



# Restrictions on Remote Working

**43%** of respondents currently place restrictions on where remote employees can work from, with a further **19.3%** indicating that they are considering adding location-specific guidelines in the next 12-months.

## Deloitte Perspective:

*The post-COVID demand for talent appears to be driving employers to offer the maximum possible flexibility to their workers, with almost 60% not having any guidelines on where people can work from, and 80% of those not considering adding any location-specific guidelines.*

*However, these companies trying to promote maximum flexibility should give additional consideration as to how they manage their and their employees' tax compliance.*



## Residency Requirement

49% require employees to work from the same country they are currently living in, with an additional 11.8% saying that they must work from the same state they currently live in.



## Distance to Office

23.5% of respondents require employees to work a certain distance away from their assigned office. 44% said that hybrid employees must be able to travel to their assigned office on a day's notice, whereas only 13.5% require the same of remote employees.



## Restricted Areas

25.5% of organizations prohibit individuals from working in certain local jurisdictions due to tax / employment / liability laws.



## Location Tracking

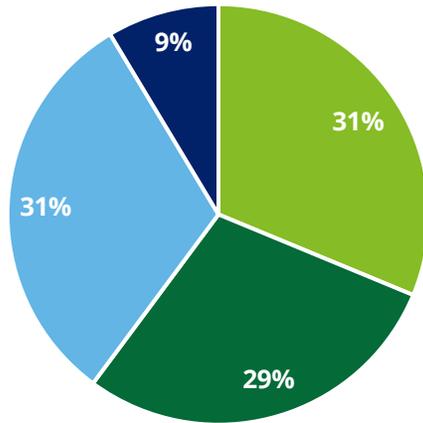
Only 4.1% of organizations monitor or track where their employees work from. The majority assume employees are working from their home or rely on employees to self-declare.



# Geographically Differentiated Compensation

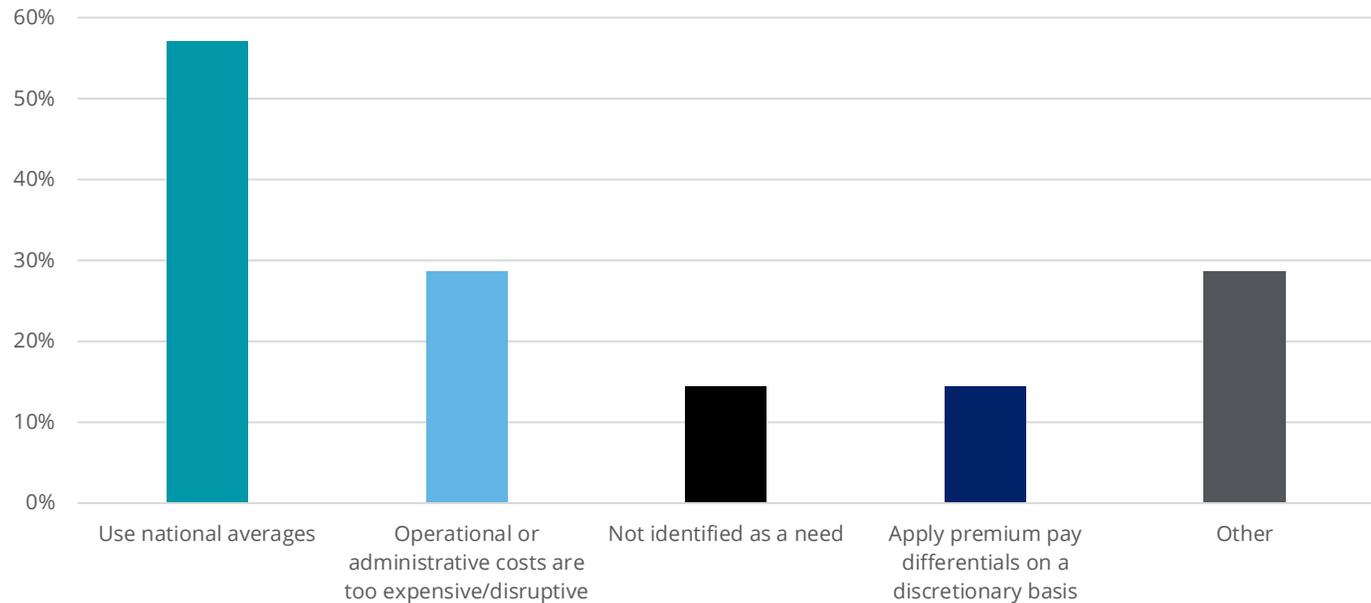
The majority of respondents (**60.2%**) have a geographically differentiated compensation policy, and **76.4%** of that group apply the policy to remote workers. Only a select few companies (4 or less) stated they have a different pay policy for office workers vs. hybrid or 100% remote workers.

**Does your organization currently have, or are you considering adopting a geographically differentiated compensation policy?**



- Yes, no changes anticipated
- Yes, and considering changes
- No, no plans to adopt
- No, but considering adopting

**If no geographically differentiated compensation policy and no plans to adopt, why?**



**Deloitte Perspective:**

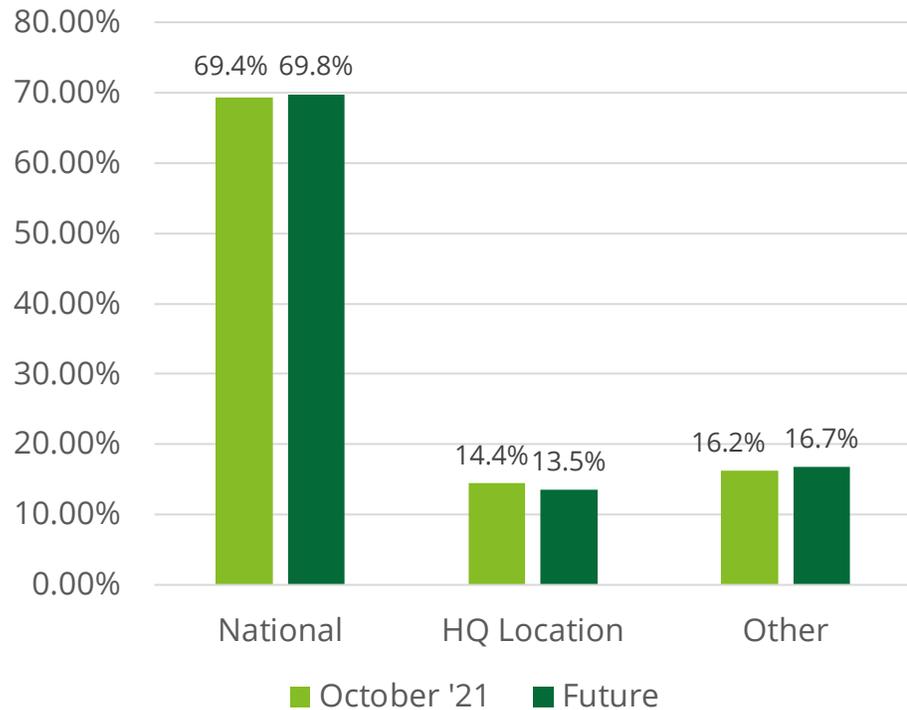
*Geographic differential policies present a significant cost saving opportunity, given that as increased remote work has become the new normal, many workers have rejected living in major metropolitan cities and relocated to more affordable suburban areas.*

*Companies with a large, geographically disbursed remote workforce may want to use national averages for all except those in high-cost areas to keep the number of geographic salary areas to a minimum and to ease the administrative burden.*

# Geographic Differential Areas

The majority of organizations (**75.8%**) use geographic salary areas. The majority have 3-5 geographic areas in their current (**44.9%**) or future plan (**51.1%**). This is similar to January '21 where **52.3%** of organizations had **3-5** salary areas.

Starting point for geographic differentials



Number of Geographic Salary Areas

	<3	3-5	6-10	>10
January '21	17.2%	52.3%	17.2%	13.3%
October '21	23.4%	44.7%	17.0%	14.9%
Future	16.7%	51.3%	15.4%	16.7%

Basis for geographic salary areas

	Metro Area	City	Zip	Region	State	Other
January '21	28.8%	26.5%	22.0%	6.8%	8.3%	7.6%
October '21	26.8%	22.3%	15.2%	8.9%	6.3%	20.5%
Future	25.8%	19.6%	15.5%	9.3%	6.2%	23.7%

Most organizations use the national average as the basis for calculating geographic differentials, very few expect to change that approach in the future.

# Relocations and cross-area hiring

As a result of remote work becoming widespread during the COVID-19 pandemic, more employees are taking the opportunity to relocate, and organizations are hiring individuals from more disperse geographic locations. However, when there are disparities in the individual's location and their office locations, this brings into questions the geographic area their compensation should be aligned to.

## When an individual is hired from a lower cost area to an office in a higher cost geographic area

- 25.5%** of organizations offer compensation in line with **lower cost area**
- 27.5%** offer compensation in line with the **higher cost office location**
- 22.5%** offer compensation in line with the **national ranges**

## When hiring remotely from a higher cost geographic area to an office in a lower cost geographic area

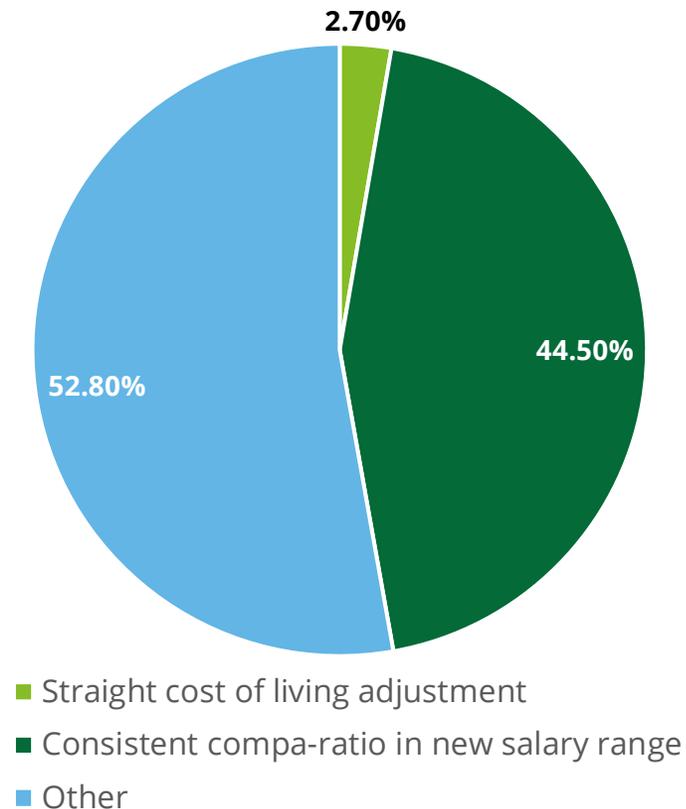
- 21.2%** of organizations offer compensation in line with **higher cost area**
- 27.9%** offer compensation in line with the **lower cost office location**
- 21.2%** offer compensation in line with the **national ranges**

Survey results suggest **office location** and **employee location** are what tend to drive **geographic factors** being applied to salaries. However, it is worth noting a significant percentage of respondents selected "Other." Many of those responses mentioned considering cases on an individual basis, using primary work location or that their formal policy was still not confirmed.

# Salary Reductions

When an **individual initiates** a **relocation** to a **lower cost geographic area**, only **17.3%** of respondents stated that a **salary reduction** was included in their **permanent policy**.

How are salary reductions calculated?



If an individual initiates a relocation to a *lower cost geographic area*, what is the approach to applying differentials?

	Move to a different office in a new city/region	Move from office based to remote
Case-by-case	37.20%	34.60%
Current compensation unchanged but factored into future merit changes	13.90%	16.20%
Current compensation changed immediately	10.20%	8.80%
Salary range changed to reflect new location	24.80%	22.10%
Salary range changed to reflect national structure	1.50%	4.40%
Other	12.40%	14.00%

**"Other" examples of calculating salary reductions include:**

- Case-by-case basis
- Keep compa-ratio between 90-100%
- If employee is over max of the new range the employee will be brought to max of the new range
- Internal equity analysis
- Manager discretion

# The not-so-new world of remote work...

As the world emerges from the COVID-19 pandemic, many companies have chosen to keep their remote work policies in place with the majority adopting a hybrid approach.

This longer-term shift towards remote/hybrid working presents companies with the opportunity for significant cost-saving opportunities as workers do not need to be physically located in high-cost of living areas.

This focus on building a cost-effective talent strategy must balance with remote-friendly approaches to work that enhance the overall workforce experience. This will be a vital priority for organizations looking to attract and retain the talent needed to deliver results in an increasingly competitive labor market.

**Full survey results available at the following link:**

<https://www.empsight.com/s.nl/it.l/id.170/f>



...is here to stay, and organizations must continue to adapt and embrace the opportunities presented by a more geographically dispersed (but not necessarily disconnected) workforce.

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