JANUARY 2022

New Year = New Job?

It's a new year, however the headlines regarding imbalances of supply and demand remain. Beyond supply chain issues and shipping challenges, recruiting and hiring new employees continues to be a struggle. There are more job openings than people looking for work and inflation is at the highest level in three decades, 6.8% year-over-year as reported by the U.S. Bureau of Labor Statistics on December 10.

Burnout and pay levels contribute to the decision to change jobs, according to Ceridian's 2022 Pulse of Talent Report which reveals:

- 87% of surveyed U.S. workers have experienced burnout, with 44% reporting high or extreme levels.
- The top three catalysts for burnout were increased workloads, insufficient compensation, and mental health challenges.
- One quarter (24%) are currently seeking a new job, with another 36% said they'd consider leaving for the right opportunity.
- Nearly half (46%) of those who reported looking for new employment said it was because they wanted better compensation, including higher salary and benefits, while another 33% seek more flexibility, such as remote work and flexible hours.

The challenge comes down to recruiting and retaining the best employees without creating pay or other employment inequities. Much has been written over the last two years about remote work and flexibility, including hybrid work environments. While clearly these are aspects of work that employees desire, pay continues to be at the core of many decisions to stay or go.

RETENTION

Retaining existing employees helps to control the costs of turnover, which not only include the dollars spent to recruit and hire, but also the time spent bringing a new person up to speed. To keep current talent and better manage compensation budgets, employers can:

- Accelerate promotions for high-potential and key talent. Be sure the message you send them aligns with their grade, title, and salary level.
- Offer sign-on, retention and referral bonuses for a wider range of employees. One-time payments offer compensation in the moment without committing to on-going pay that occurs with adjustments to base salary.
- Shift funds in compensation budgets to jobs that are particularly hard to fill and retain – put your dollars where they are needed most.
- Gather real-time information on the state of the market. For specific jobs, it may be necessary to conduct salary surveys and market pricing analyses more frequently than the usual annual practice.

New Year = New Job? *continued ...*

HIGHER ANNUAL INCREASES

Compensation budgets that just a few months ago projected increases of 3 to 3.3 percent for the year ahead are likely to be revisited and revised upward. This is especially true because the increases expected for 2022 were only slightly higher than the projections in years past, when inflation was held in check and the supply of talent was larger.

This year may see organizations giving two increases over the course of the year rather than one, to keep pace with the market and increase retention efforts. Some companies may also have a higher variance in actual increase amounts, funneling more dollars to key staff.

"This is the most turbulent compensation environment I've seen in my 30-year career," said Tom McMullen, senior client partner in total rewards with Korn Ferry in Chicago. "Actual increases could be a full percentage point higher" than originally forecasted, he believes.

COUNTER OFFERS

Companies are desperate to keep their talent, especially highly skilled or high-potential employees, because they aren't confident they can find quality replacements quickly. In this environment, organizations may consider counteroffering when an employee resigns. Counteroffers often bring short-term gain but don't keep employees from jumping ship for very long. According to a recent Cornell University study, candidates who accepted counteroffers to stay at their current employers ended up leaving anyway in the following 6 to 24 months.

To use counteroffers effectively, set formal criteria for which roles are eligible for counteroffers. Otherwise, extending counteroffers to all those who resign, along with the higher wages many are already paying new recruits, could wind up significantly increasing overall salary expenses.

PROMOTIONS

In today's environment, it may be tempting to promote an employee simply to retain them, but if they aren't truly ready for the next level it could backfire.

A solid promotion process allows leaders to elevate each employee to their full potential and reinforce what type of results and behaviors are valued. However, if promotions aren't managed well, one person's success can foster feelings of resentment in others, and the career aspirations of employees across the company can be left unrealized. Promotions are highly personal. At their core, they are both relationship-driven and among the most important indicators of how well leaders' actions align to the company's stated values.

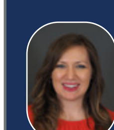
2022 is here and the trend to resign and get a new job is alive and well. Whether providing an annual increase, counteroffer, or promotion, it's important to balance the needs of retention with internal equity.

Meet the Foundations CONSULTING TEAM

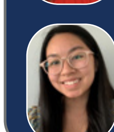
BETH OSTREM
651-282-8718
beth.ostrem@
farmcreditfoundations.com

AMY RYAN
651-282-8498
amy.ryan@
farmcreditfoundations.com

HEATHER BINGER
651-282-8807
heather.binger@
farmcreditfoundations.com



CLAIRE BRANDENBURG
651-282-8449
claire.brandenburg@
farmcreditfoundations.com



TINA RATSAMY
651-282-8397
tina.ratsamy@
farmcreditfoundations.com