SHOULD YOUR COMPANY PROVIDE HAZARD PAY?

Many service technicians are on the front lines of the COVID-19 crisis. Some are worried about what this means for their well-being and that of their families. Not surprisingly, the idea of "hazard pay" has been discussed recently. Whether you heard about hazard pay through media or because an employee asked about it, take time to decide what it means for you and your business.



Hazard Pay Defined

Hazard pay is defined by the US Department of Labor as follows:

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship. Work duty that causes extreme physical discomfort and distress which is not adequately alleviated by protective devices is deemed to impose a physical hardship. The Fair Labor Standards Act (FLSA) does not address the subject of hazard pay, except to require that it be included as part of a federal employee's regular rate of pay in computing the employee's overtime pay.

Do I Have To?

Unless your company is contractually bound to treat its employees as federal workers, you are not legally obligated to provide hazard pay.

That said, during times when the work we do is more frightening than usual and workers are at a premium, you may want to consider whether there are measures you need to take to retain workers and keep them satisfied that the risks they are taking are worth the rewards. If that is the case, you may want to offer premium or incentive pay so that they return to or remain at work. Employer practices in this area vary considerably.



When Does Premium or Incentive Pay Make Sense?

For essential on-site work, some employers are considering temporary premium pay for roles that pose a high risk to the organization if the workers are not retained. For example, some healthcare providers have increased hourly rates as a means of retaining critical staff.

In the portable sanitation industry, service technicians who are working in areas where COVID-19 is known or suspected may be requesting such pay increases. Even if that doesn't happen, you may consider offering such pay to recruit new drivers. Regardless of how it comes up, you need to decide whether to pay these incentives to keep people on the job at your company.

How to Structure Incentive Pay

If you decide that paying additional wages for key roles makes sense, experts recommend flat dollar-per-hour increases instead of percent of pay for premium pay arrangements. This model provides financial predictability, is more equitable across positions, and can be communicated clearly and simply.

Before implementing any plan, be sure you can answer these questions:

- Which positions will be eligible for premium pay and why?
- How will you keep at-risk team members segregated from the rest?
- Under what conditions will premium pay continue and/or be discontinued?
- How will you account for changes in local labor market supply and demand moving forward?

Not everyone is doing this sort of thing. According to Gallagher, the global risk management and insurance firm, some employers are not providing premium pay out of concern for setting a precedent and incurring longer term business expenses. These are also real considerations.

Things to Think About

When considering whether to offer premium or incentive pay, there are several questions you should ask and answer before you dive in.

- What sets the cultural tone you want for your team? How does your team know you recognize and are concerned about the risks they are taking? Will incentive pay help? Remember, even if you provide incentive pay, money is rarely enough. You have to live your values.
- What can you afford? Can you recover those costs from your customers?
 If you are not already charging customers a premium for servicing areas of known hazard, can you start doing that?
- Which positions are affected (e.g., P&D personnel and service technicians)? Is it possible to provide incentive or premium pay for just those people/positions? If so, how will you show the rest of your employees that they are safe from exposure? If the people doing the hazardous work are interacting freely with those in the "safer" positions, you will have a hard time showing that one group deserves a premium increase and the rest do not. COVID-19 is highly contagious, and free interaction between workers means everyone is exposed.
- What are your local labor market conditions? Has the recent unemployment spike made it easier to find good drivers and other staff? Or do you need to take measures to hold onto your people no matter what? Think about labor supply, competitor practices, as well as short- and longer-term considerations related to your company's values and viability.



Communication Is Key

It is impossible to over-emphasize the importance of communicating frequently and clearly with your team about the compensation actions you do or do not take. Help them understand your decisions and why they make the most sense for the firm. While there is no perfect answer, the companies that do best during this pandemic and economic downturn are almost certainly going to be those that excel at maintaining employee trust and loyalty. Whatever compensation action you take will only be part of that strategy.