

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:

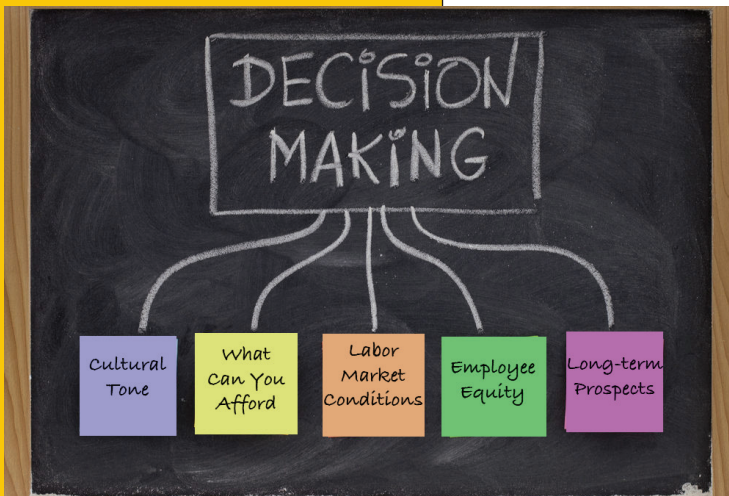
- Which positions will be eligible for premium pay and why?
- How will you keep at-risk team members segregated from the rest?
- Under what conditions will premium pay continue and/or be discontinued?
- How will you account for changes in local labor market supply and demand moving forward?

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.