Insurers Grapple With Compensation for Remote Workers

Amid new hiring realities, insurers are navigating uncharted waters.

By Cheryl Winokur Munk | August 9, 2022

The pandemic has changed many things for insurance companies, including how and where employees work. While many insurers are requiring staffers to be in-office, at least partially, some are sanctioning or promoting fully remote work. Others have widened their reach—beyond their traditional geographical borders—to attract talent.

That's led to a new challenge as insurers try to determine appropriate pay structures amid these new workplace realities. It's complicated because the ability to work full-time from home is still a relatively new trend and it's unclear whether it will continue to have legs. Changing pay structures can be extraordinarily complex to execute, especially for large companies, which tend to be less agile than their smaller counterparts.

"If you have 30,000 employees, this is truly a new problem that you have not faced in this same way, and it's probably something that was not fully processed" as companies started broadening their talent pool, said **Emily Killham**, director of research and insights at analytics company **Perceptyx**.

Here's what insurers need to know about compensation practices amid a changing landscape:

Think Strategically

Determining a compensation strategy for remote workers has become increasingly important as demand for these roles intensifies. Recently, **Molina Healthcare** said it plans to go fully remote by year's end, **as reported** by *Health Payer Specialist*. **Allstate**, meanwhile, **announced in November** that it was selling property that makes up most of its Northbrook, Ill., campus. While the company said it plans to keep a significant presence in the Chicago area, the decision was predicated on the fact that "employees have more choice about where they work and many are choosing to work from home," according to a press release. And in June, **Pemco Mutual Insurance announced** it was exploring the sale of its company headquarters and adjacent land, citing the need for less space in a hybrid work environment.

Decisions around compensation are even more important because it's a major driver of a company's recruiting and retention efforts. A **survey** earlier this year by **FlexJobs** showed that salary was most important to 83% of people, followed closely by remote work, cited by 77% of respondents.

What's more, workers are increasingly choosing to go fully remote. Since 2021, the number of fully remote workers has spiked by 240%, according to payroll platform **Gusto**. This trend is occurring nationwide, with every state experiencing at least a 10% increase year-over-year in the share of fully remote workers, Gusto said. Almost six in 10 companies have at least one remote worker, many across state lines, according to the company.

Weigh Different Compensation Approaches

Because of the complexities around compensation in a hybrid world, many companies are still determining the best way forward. In some cases companies haven't yet solidified or finalized their working environment, said **Judy Busby**, SVP of executive search and corporate strategy at **The Jacobson Group**. "There aren't many companies that have put a stake in the ground saying this is exactly what we are doing," she said.

Certainly, permitting remote work can have many benefits. For instance, for an employer in a high-cost market, remote work offers the opportunity to move into markets and attract talent at lower rates than they would normally pay, said **Joe Rice**, director of compensation counseling at **CBIZ**.

When it comes to redefining compensation, however, there are many considerations and potential trade-offs for both employers and employees. As a result, insurers are weighing the pros and cons of different options, trying to determine the best strategy for them.

Mary A. Rizzuti, managing director of **Eisner Advisory Group**, said insurers she works with haven't yet changed the compensation for legacy employees who have moved locations and are now full-time remote. But when they hire new employees on a remote basis, they are taking various approaches. One option is to pay based on the geographic location in which the headquarters is located. Another is to divide the country into geographic regions and determine salaries accordingly, she said.

Some companies are considering paying based on the role rather than an employee's ZIP code, said Killham of Perceptyx. This can work well for call-center and service-center rolls, which have a work-from-anywhere value proposition, she said.

Determining compensation based on national averages for a particular role is another approach, said **Lori Wisper**, managing director with consulting firm **WTW**. Using this method, a company could decide to pay premium rates in certain markets, such as New York, where the national average wouldn't seem competitive.

Another option could be to tie compensation to where the employee lives. This approach, however, can create logistical headaches and possible legal troubles. Killham offered the hypothetical example of an employee who decides to move to Laguna Beach, Calif., from Nebraska and has his salary boosted accordingly. What if, after five years, the employee decides to move back to Nebraska? Should the company have to readjust the employee's compensation after every move? "It's a lot for an HR team to take on," she said.

There are still other considerations. Say for instance, an employee moves from New York to Nebraska for a remote position. If the employer doesn't lower the employee's compensation, there could be pay equity issues if it then decides to hire someone else from Nebraska at a much lower rate, said Rice of CBIZ. "You have to think about whether you have other employees in the market and what challenges you'd be creating," he said.

Pay Attention to Labor Market Demands

Labor market forces can also play a role. Many insurers seem to be settling on a hybrid approach, with some in-office days and some remote, but, for certain roles, they may allow full remote to get or keep the expertise they need, said **Ken Croarkin**, a partner at **EisnerAmper**, who heads the firm's insurance industry practice.

"If it's a good, high-performing employee, they may make some exception to their policy," he said. This is especially true amid a tight labor market where good talent is hard to come by. "There's very little 'my way or the highway' attitude from companies," he said.

Other market forces can also be a factor. Even if a company wants to be flexible, if it has long-term leases, managers will be trying hard to get people in-person, said **Frank Risalvato**, managing partner at recruiter **IRES Inc.**

Some positions are never going to be remote fully because they have to be geographically situated. "An underwriter may be able to work from home while a product owner on a transformation project will need to be with the team," said **Ernst Renner**, partner and head of U.S. insurance at **Capco**.

Feedback

Enter tips, feedback or comments

SUBMIT FEEDBACK

August 9, 2022

Insurers Grapple With Compensation for Remote Workers

Most Popular

View Most Popular Content

Lincoln's Stock Falls 9.2% Amid Questions on Universal Life Policies

The Highest-Paid Insurance CFOs Receive Millions of Dollars a Year

Why Don’t More Young People Work at Insurers? We Asked Them.

Why Insurers Should Take a Closer Look at the Integrity-Annexus Deal

Prudential Has $1.3B Loss in Life Business After Actuarial Revisions