

# Is It Really All About the Money? Compensation considerations for the employee and the employer



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**W**e've all been told over and over again that money does not buy happiness. Proof of that adage can be seen now in the hiring frenzy that has overtaken the global labour market.

Largely as a result of a global skills shortage that predated the arrival of COVID-19, and an unprecedented willingness by employees to resign and seek new jobs, salary and signing bonuses are

skyrocketing. Between August 2020 and August 2021, online job posts featuring recruitment bonuses – some as high as \$100,000 – increased by more than 450 percent. For top talent, it's a seller's market, and lots of people are cashing in.

But will all that money lead to job satisfaction for the individual employees, and engagement and retention for employers? To date, the results are mixed.

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# Money is talking to a lot of top talent right now

Now, in the second year of what has become known as the “Great Resignation,” the data is starting to flow on who is jumping from job to job, and why. The early results are challenging some of the assumptions we’ve made in the human capital industries about what people value most about work.

A [recent survey](#) by the Pew Research Center, one of the most respected non-partisan think tanks in the United States, found the number one reason why Americans quit their jobs in 2021 was that their pay was too low.

This was closely followed by a lack of opportunities for advancement and feeling disrespected at work.

To some extent, this marks a shift in what talent holds most dear. For many years, skilled workers have identified non-monetary issues as being the most important in terms of job satisfaction, a key metric in forecasting engagement and retention. Now, however, the siren call of money is causing a lot of people to reconsider their priorities.

And it’s leading to some strong feelings of regret.

A [new poll](#) for USA Today, released at nearly the same time as the Pew survey, showed that 20 percent of people who quit their jobs in the past year regret their decision because, although the money was better, many other features of their new jobs were worse. Of those who regret the decision to resign in favour of another job, the complaints range from a loss of work-life balance, a realization that the new job was much different than expected and missing the culture at their old job.

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# Two perspectives on the recruitment frenzy

Like a tango, a hiring frenzy defined by outrageous salary and bonus offers requires two willing parties: an employer to make the offer; and an employee willing to accept it. Although both have a shared interest in the consequences of the current conditions, those consequences are distinct.

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## CONSIDERATIONS FOR THE EMPLOYEE

Professional recruiters have come to learn that most people spend more time researching the purchase of a new car than they do researching a job offer. However, in the volatile labour market we see now, the failure to properly consider all of the potential issues and consequences could have long-term impacts for the individual.

### 1. What happens when the allure of the money wears off?

Many of us have been told not to marry for money, but to marry for love. That very same logic should be an important consideration for anyone assessing a job offer that involves a significant jump in pay. Over the medium and long term, surveys of working people show that money is not the number one factor in job satisfaction. Things like psychological safety, an emotionally intelligent leadership culture, career development opportunities, and – particularly now in the late stage of the pandemic – flexible working conditions, will always provide greater value over the long term. Are you sacrificing all that for a big payday?

### 2. Are you setting yourself up for buyer's remorse?

Along with the poll results above, which show nearly one in five job jumpers regret their decision to voluntarily resign, professional recruiters

are starting to hear about a new variation on the boomerang employee: an increasing number of candidates interested in rejoining the company they just left. The skilled talent shortage may create opportunities for people to backtrack to their original jobs, but even if an employer welcomes you back, will they see you in quite the same way?

### 3. Are you setting yourself to face unreasonable expectations?

We've all read about professional athletes who switch teams to get record-breaking contracts, and who then fail to live up to fan and team expectations. Anyone who accepts a big bonus and inflated salary will see their job performance judged accordingly. Once the reality of that sets in, recruits may feel they have to work longer hours, or more days per week, just to impress. Or they may feel they cannot ask for flexible working conditions to help sustain a work-life balance.

Although that might be okay in the short-term, it's eventually going to take a mental and physical toll.

### 4. Are you entering a revolving door of job experience?

There is a growing sense that people who jumped at offers during the Great Resignation will, ultimately, have to change jobs frequently to find the right gig. Although current market conditions allow for that kind of mobility, resumés that show six jobs in five years will eventually start to raise red flags with some employers. You might also consider the fact that if there is a market correction, and employers are forced to "right-size" their headcounts to adjust for economic conditions, the recruits that were paid big bonuses and salary hikes could be among the first people out the door. This will be particularly so for recruits who, while competent, never quite lived up to the expectations that came with their compensation.



## CONSIDERATIONS FOR THE EMPLOYER

### 1. Will big money incentives offered now cause a turnover problem down the road?

Employers need to remember that someone who can be pried away from another organization simply on the basis of money, is likely to be open to moving again if someone puts even more money on the table. In other words, when you are using money as the principal lure, are you recruiting a pool of talent that will be in a permanent state of career wanderlust?

### 2. Are you running the risk of creating an unlevel compensation playing field?

With a global skills shortage prompting organizations to overpay for talent, it's important to pause and think about the impact this strategy is having on existing employees. Once it gets out that you are offering huge bonuses or pay increases to attract top talent, it's going to cause unease and anxiety among your workforce. These lucrative offers can become talent management handcuffs, particularly if your existing talent starts to demand equity with new hires. At the very least,

once you've entered the bidding war for new talent, you're going to have to review and adjust what you're paying your existing people – or risk losing them to someone else who's prepared to overpay.

### 3. Are you prepared to leave a position open, or look within your organization, rather than overpay for talent?

Any employer that feels even a wee bit of temptation to overpay to land skilled talent should consider other strategies first. By freeing yourself from the shackles of previous job experience, perhaps you can find promising, less-proven talent that can be developed? Or can you fill key openings by reskilling and redeploying someone internally? In both of these scenarios, investments in developing talent will be rewarded with greater engagement, productivity and, eventually, loyalty. For as long as the Great Resignation endures, loyalty should not be undervalued.

### 4. Can you be creative and look for non-monetary incentives to recruit talent?

There will always be a pool of candidates who will be looking beyond the dollar signs to find their next job. Taking the additional time to locate candidates who are motivated by more than money can pay off handsomely, both in the immediate term and over the long haul. You can find these people by offering a broad range of non-monetary incentives, like hybrid working opportunities, coaching, and mentoring, stretch assignments, and training. While the appeal of money can be fleeting, these non-monetary benefits can create true, long-term relationships between employer and employee.



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