Disruption and Innovation in Total Rewards

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Have you learned something new during the pandemic…

or done something you never thought you would?



Eat in a yurt or igloo?



Tiktok dances with your kids?



Stress bake?

Total Rewards: A Worldview Change

There are 4 different areas within total rewards that have challenged our worldview:

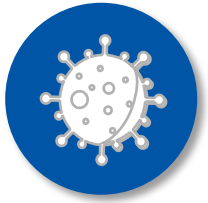
1. Inflation
2. Remote work – to include expanding geography
3. Retention and recruiting strategies
4. Innovation to total rewards strategies

Potential headwinds for the total rewards environment



Inflation

Yesterday's salary buys fewer goods today. As a result, associates need more money to maintain their current standard of living.



COVID Impact on the Business

Work processes designed with the pre-pandemic environment in mind are now likely out of date, making it hard for associates to work effectively or adjust to major changes.



Changes in the Way People Want to Work

Remote work increases competitive environment for recruitment and retention.



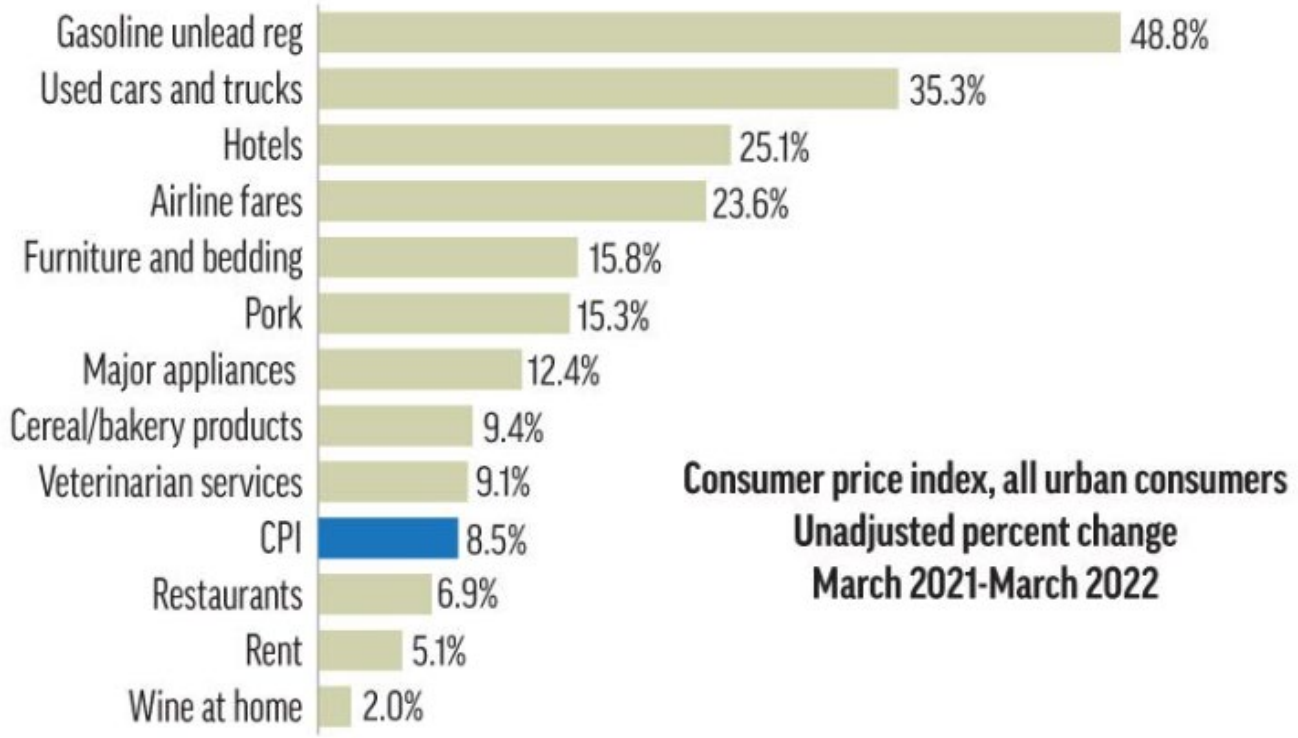
Values Alignment

Associates expect their jobs to bring a significant sense of purpose to their lives. Employers need to help meet this need, or be prepared to lose talent to companies that will.

Inflation's impact on total rewards

Rising costs are wiping out pay raises that many people have received

- Inflation soared at its fastest pace in more than 40 years
- CPI jumped 8.5% in March from March 2021 – the sharpest YoY increase since 1981
- The fast pace of the Fed's rate increases will make loans sharply more expensive for consumers and businesses
- In February, after accounting for inflation, hourly wages fell 2.7% from February 2021



Source: AP / Bureau of Labor Statistics

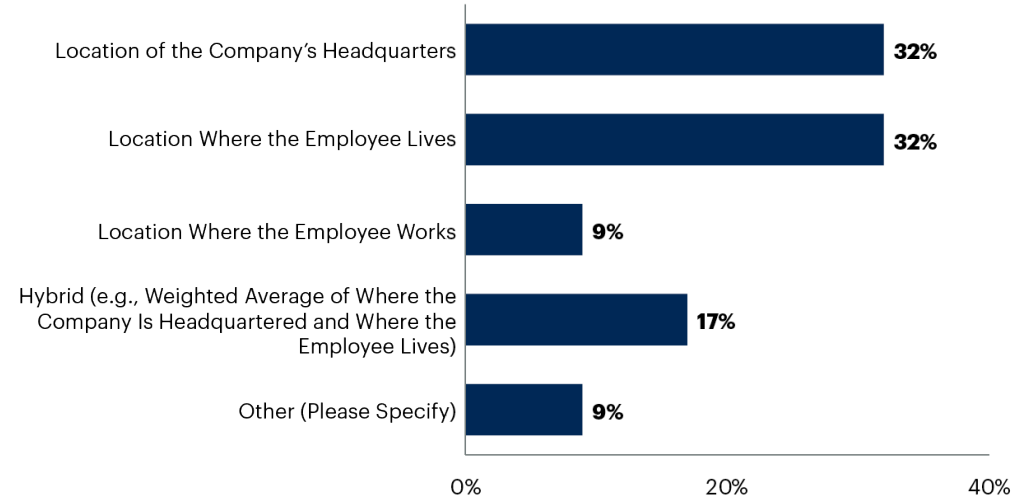

RETURNING
TO WORK!
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How does geography impact pay?

How do organizations adjust pay when employees change their living location?

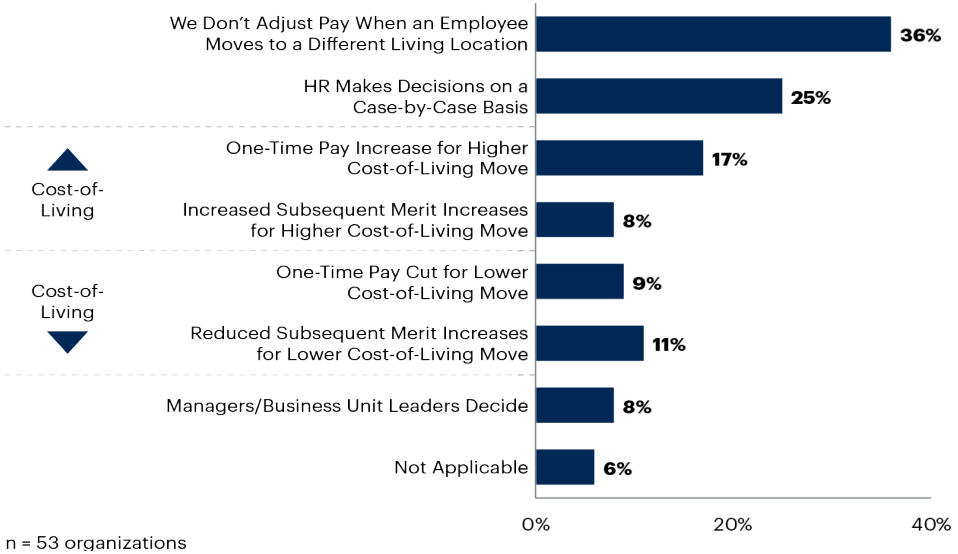
- When using location as an input to compensation decisions, about one-third (32%) of organizations use the location of the company's headquarters as the top criterion and the same percentage use the employee's living location
- Thirty-six percent of organizations don't adjust pay when employees change their living location, 25% treat each case as a unique situation where HR makes decisions and 8% let managers or business unit leaders decide
- When an employee moves to a location where the cost of living is higher, 25% of organizations will adjust pay
- When an employee moves to a location where the cost of living is lower, 20% of organizations will adjust pay

Top Location Criteria Used to Determine Employee Compensation
Percentage of Organizations



n = 47 organizations

Top Criteria Used to Adjust Employees Compensation
Percentage of Organizations, Multiple Responses Permitted



n = 53 organizations

**Slide source: Gartner – "How do Organizations Adjust Pay When an Employee's Living Location Changes?" – August 2020*

"The Great Resignation" and the "Boomerang Employee"



A record number of employees quit their jobs in 2021 – leading to **"The Great Resignation*"**

- Causes include:
  - *Flexibility and enablement*
  - *Re-recruiting and retention strategies*
  - *Impact of COVID-19*

"Boomerangs" – employees who return after leaving a company - are on the rise. They accounted for 4.5% of all new hires in 2021, up from 3.9% in 2019**

- Benefits to re-hire include:
  - *Time and money savings*
  - *Established relationships*
  - *Additional knowledge and experience gained*

**Term source: Dr. Anthony Klotz, Associate Professor, Texas A&M University*
*** Source: SHRM "Why You Should Welcome Back Boomerang Employees"*

Attrition and recruiting



Senior Mgmt/ Executives



Mid-Career Prof / Mgr



Entry Level Professional



Hourly Office Workers



Hourly Front-Line Workers



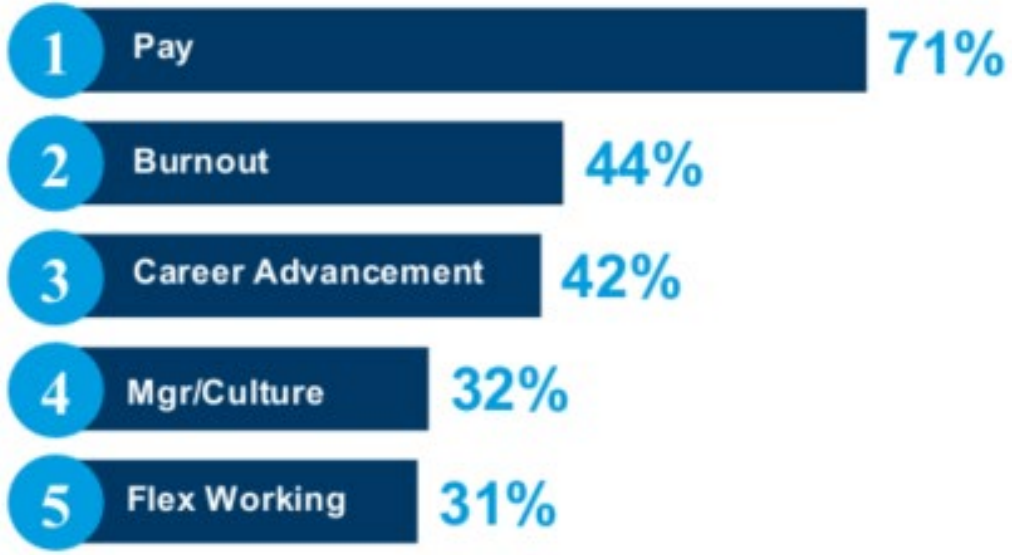
Hourly Factory Workers

	Senior Mgmt/ Executives	Mid-Career Prof / Mgr	Entry Level Professional	Hourly Office Workers	Hourly Front-Line Workers	Hourly Factory Workers
Employers experiencing higher levels of attrition for this segment	20%	47%	48%	38%	61%	61%
Employers experiencing moderate to significant difficulty recruiting	31%	48%	39%	34%	63%	73%

Source: Mercer Pandemic Survey as of 8/9/2021, US employers – Mercer TN Career Series

Driving attraction and retention challenges

Voluntary turnover



Attraction challenges

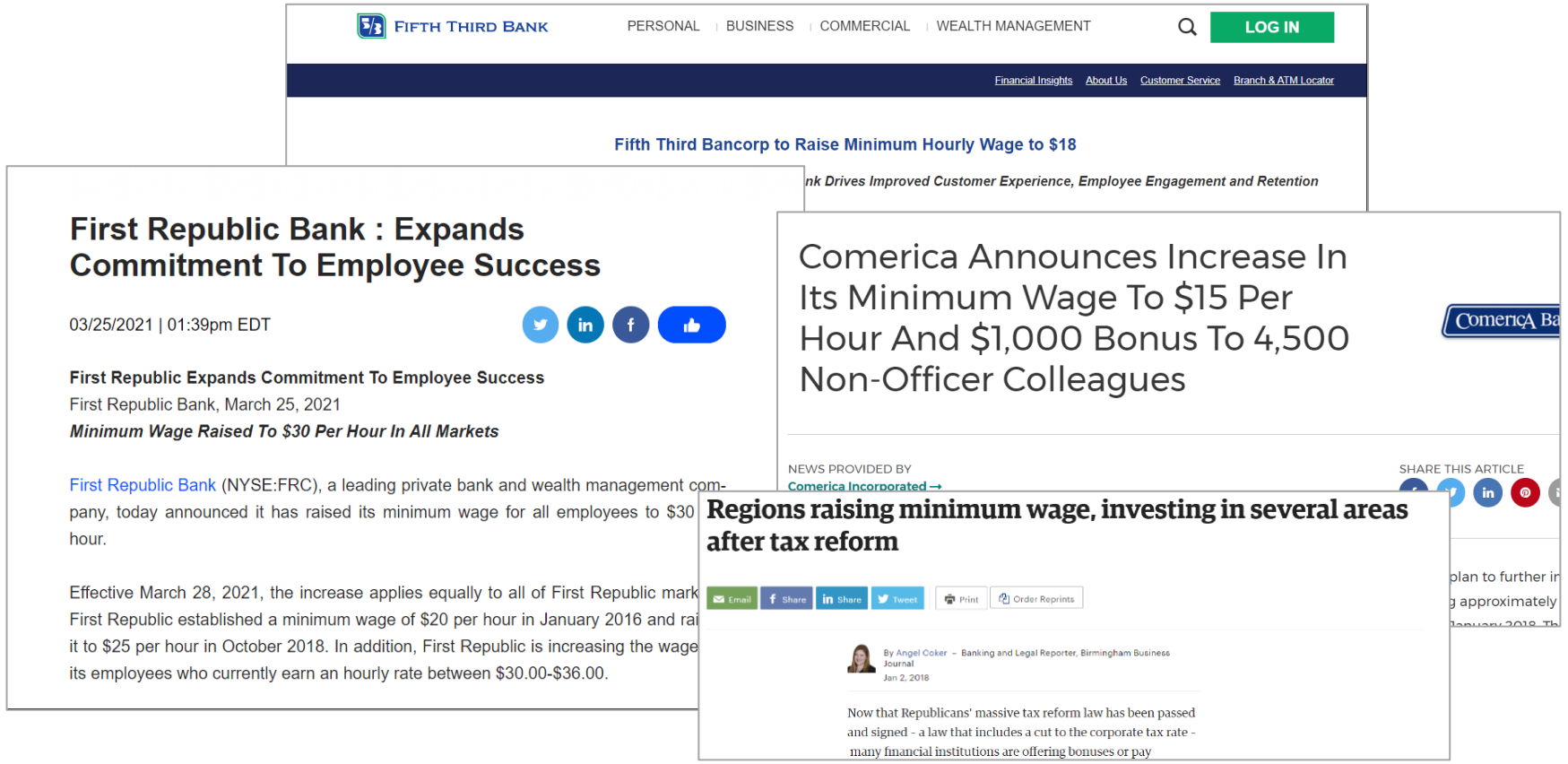


Source: Mercer Pandemic Survey as of 8/9/2021, US employers – Mercer TN Career Series

Minimum wage increases in banking and other industries

Peer Banks to First Horizon	
Comerica Inc.	$15 as of 2018 (article)
Fifth Third	$18 as of 2019 (article)
First Republic	$30 as of 2021 (article)
Huntington Bancshares Inc.	$16 as of 2019 (article)
KeyCorp	$15 as of 2018 (article)
M&T	$14 as of 2018 (article)
PNC Bank	$18 as of 2021
Regions	$15 as of 2018 (article)

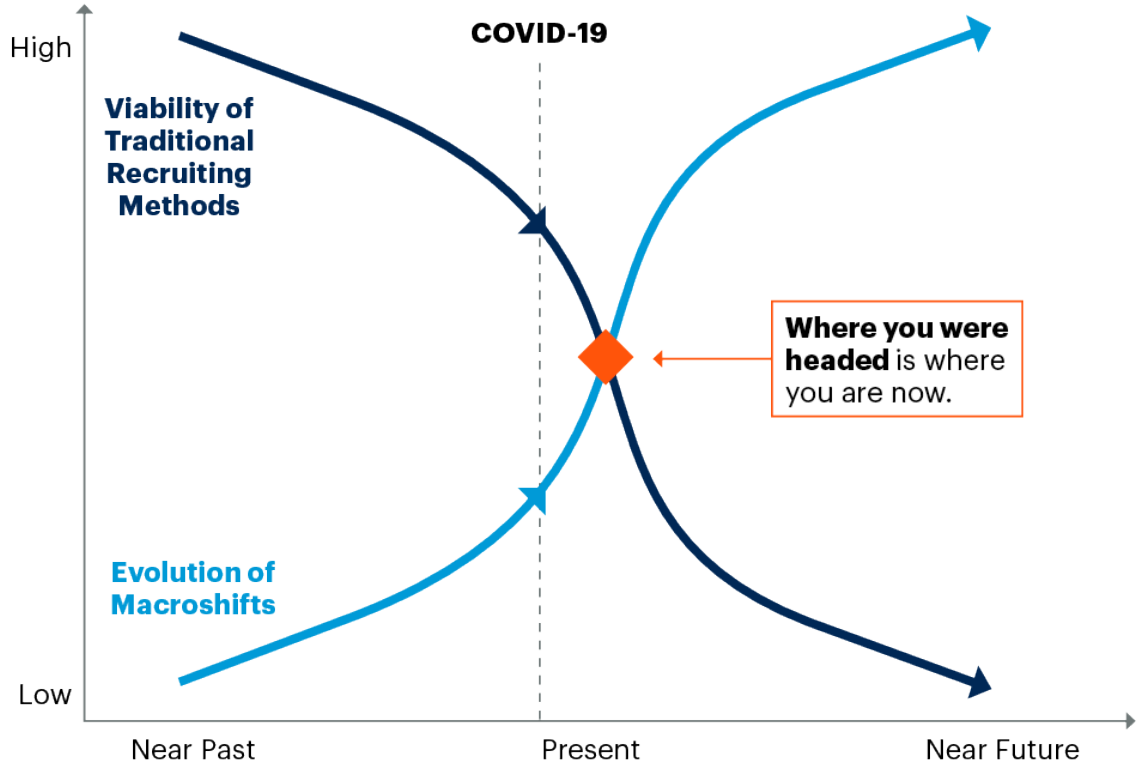
Other Competitors	
Bank of America	$25 as of 2021
Wells Fargo	$15-20 as of 2020



Companies leading the way on increased minimum wages for hourly employees:

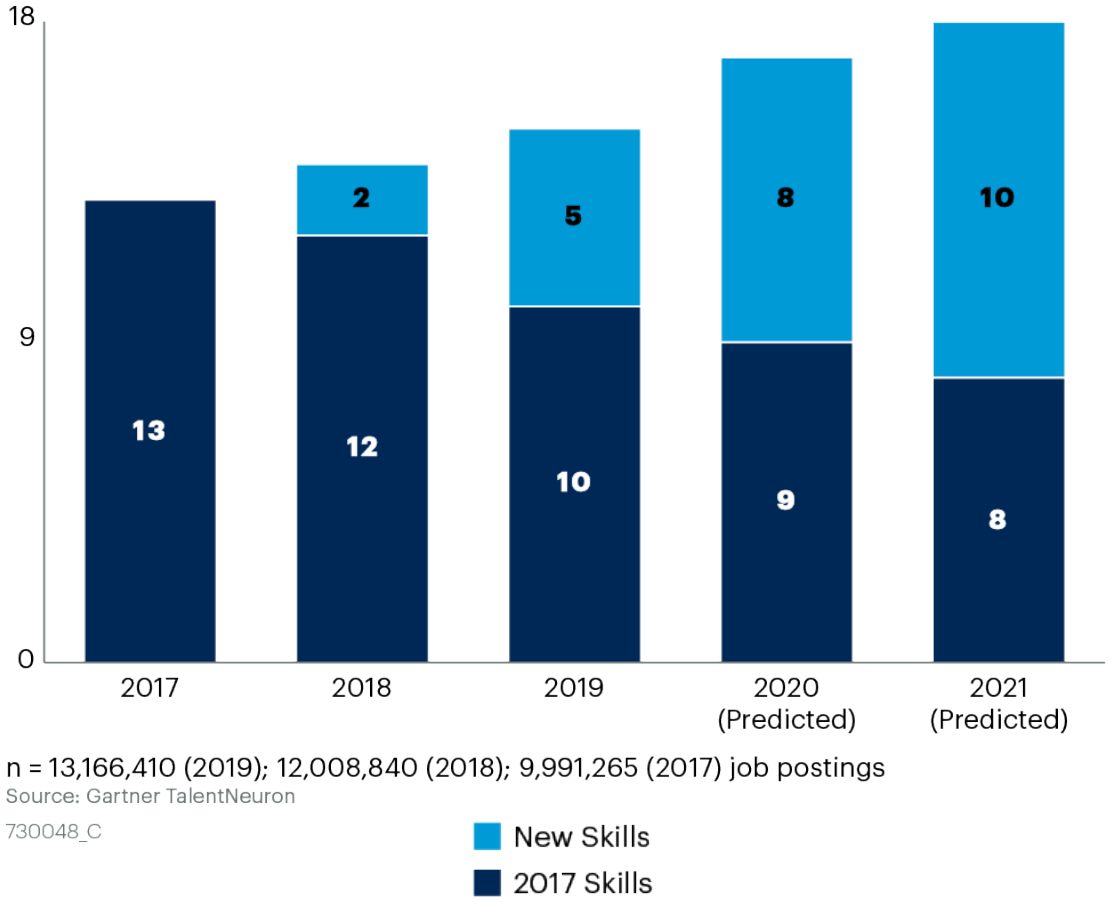
COVID-19 Impact

COVID-19 Accelerates Need to Rethink Recruiting Methods
Illustrative



Source: Gartner
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Change to Skills Required for IT, Finance, Sales Roles in U.S.
Skills Required per Job



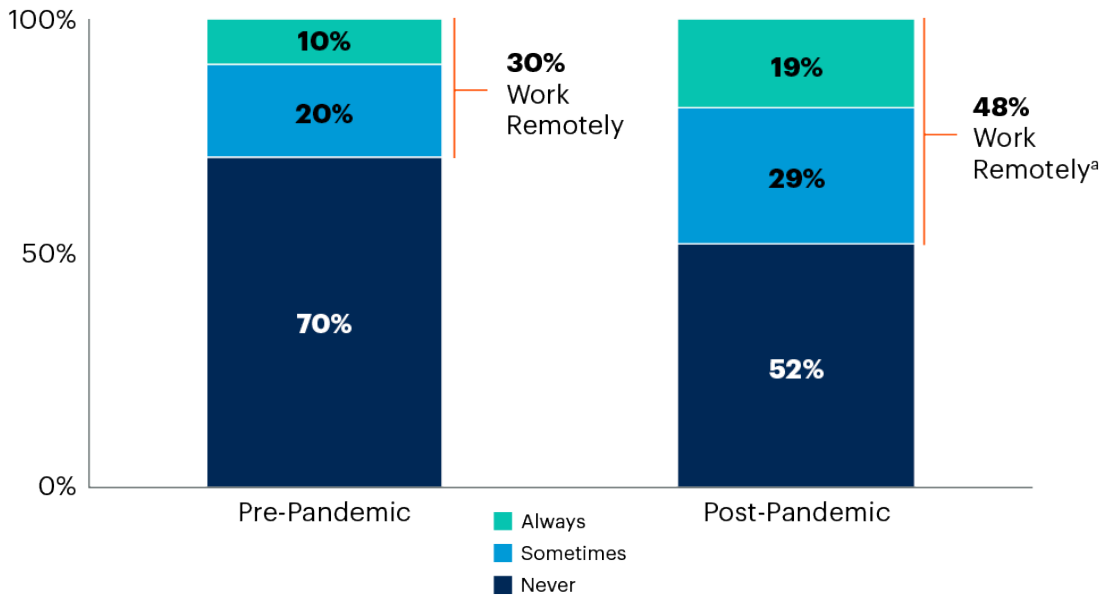
n = 13,166,410 (2019); 12,008,840 (2018); 9,991,265 (2017) job postings
Source: Gartner TalentNeuron
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Chart source: Gartner – "6 Accelerators Changing the Future of Recruiting" – July 2020

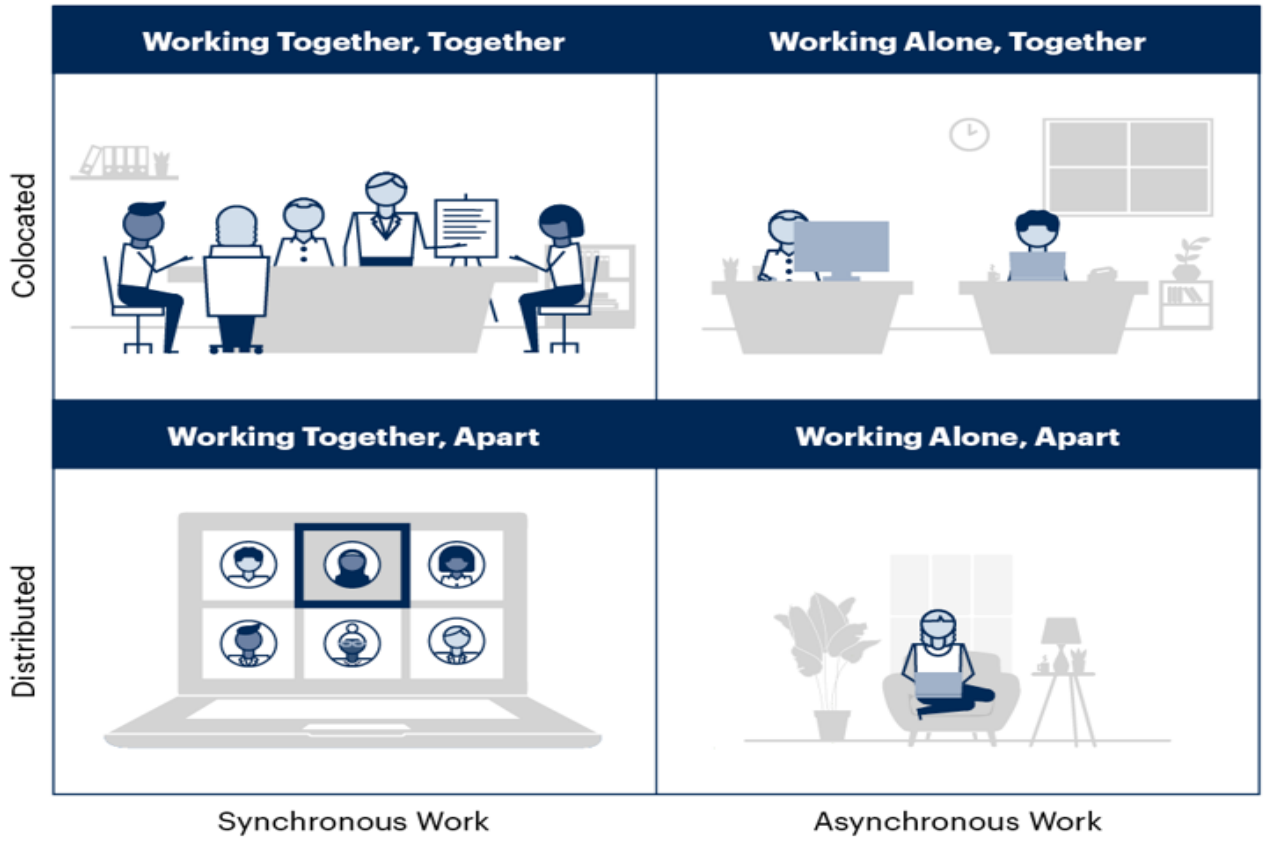
COVID-19 Impact (continued)

Changes to Remote Work

Percentage of Employees Working Remotely, Pre- and Post-pandemic
Projected



First Horizon's Workplace Reset



*Source: Gartner

Post-pandemic Trends

Long-term, post-pandemic trends in Total Rewards*

- Increasing focus on well-being support – with special emphasis on mental health
- Avoiding a culture of "us versus them" with the shift in workforce composition
- Moving away fro a one-size-fits-all approach to benefits offerings
- Balancing cost-saving measures with their impact on the company's employer brand
- Harmonizing total rewards plans as organizations undergo more M&A activity

Slide source: Gartner – "How COVID-19 Will Shape the Future of Total Rewards" – August 2020


394th District Court of Texas - Live Stream
394th Judicial District Court
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Questions?



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