



# The 8 Biggest Considerations When Deciding Your Work-From-Home Compensation Strategy

Insights

10.04.22

Like many employers, you may have shifted to a remote work or hybrid model allowing employees to work from home full time or split their time between home and the office. But have you decided how you will pay remote workers, and have you communicated a consistent policy to your employees? While there is certainly no one-size-fits-all policy, there are eight key considerations your organization should keep in mind when going down this path to ensure you remain legally compliant and provide the best atmosphere for your operations to thrive.

## 1. **Have you decided which roles can be performed remotely?**

From the start, it's a good idea to review your company's roles and decide which jobs can be performed remotely. Perhaps some jobs require face-to-face interactions with customers. Other roles, such as security officers, may require onsite monitoring of facilities and merchandise. Also note that it is more difficult to track and manage nonexempt employee time from afar. So, will you allow nonexempt employees to work remotely – or only reserve that privilege for exempt employees?

## 2. **Will you use a location-based or value-based compensation model — or a combination of the two?**

Salary ranges traditionally vary based on geographic location, but employers are beginning to change their compensation models due to the rise in remote work. As you develop your pay strategy, you'll want to weigh the benefits of a **location-based strategy** (one where you tie compensation levels to the location of your workers) and a **value-based strategy** (where you pay employees purely based on the value they bring your organization). [You can read more about these considerations here.](#)

## 3. **Are you complying with pay equity standards?**

There are many reasons you may want to pay onsite workers more for coming to the office, such as covering commute-related expenses, encouraging in-person collaboration, and alleviating some of the challenges associated with managing and tracking remote work. However, before paying remote workers less than those who come to the office, you should consider whether your policies will have an unintended disparate impact on particular groups of employees. For example, beware of potential gender discrimination claims. Women often have had more

childcare responsibilities than men and may disproportionately need the flexibility of remote work to help balance professional and family needs. This could potentially create pay discrepancies between male and female workers over time if more female employees are remote.

Even if you set your policies without discriminatory intent, you could face an argument that your neutral policies have a disparate impact on certain segments of your workforce, so you will want to work with your legal counsel before setting a new policy.

**4. Have you considered the impact of your pay policy on employee morale?**

Some employees enjoy onsite work while others place a high value on WFH arrangements. Note that every company's culture is different, and each employee may have a different perspective. For example, while one employee may accept lower pay for remote work, another might not be willing to trade compensation for flexibility. Before finalizing any new policy, you should consider how these adjustments will affect your recruitment and retention efforts, as well as employee morale.

**5. Do you know the wage and hour rules in the relevant market(s)?**

Keep in mind that minimum wage and overtime rules for non-exempt employees – as well as salary thresholds and job duty tests for exempt employees – differ throughout the country. Therefore, you will want to be well-versed in such laws before proceeding.

Additionally, some locations have requirements for paid leave, business expense reimbursement, meal and rest breaks, and more. Be sure that your pay practices for all employees – those who work onsite and those who work remotely – comply with the applicable federal and state wage and hour laws.

**6. Are there labor relations considerations to take into account?**

Unionized employers have their own unique labor relations challenges when it comes to compensation. As your collective bargaining agreements are being negotiated, make sure you address flexible work arrangements and compensation for remote workers. Work with your labor counsel as early as possible in the process – hopefully well before negotiations begin in earnest – to let them know your plans so they can be incorporated into your bargaining strategy.

**7. Are you complying with local tax and insurance requirements?**

Work with your accountants and legal counsel to set up your taxes correctly. Some states have family leave and disability insurance programs that require employers to deduct from employee wages or contribute to a state-run fund. Make sure you are enrolled in the state unemployment insurance programs and confirm that your workers' compensation insurance is compliant. You should also look into whether a business registration is required when you have one or more remote employees working in a state.

## 8. Have you created a written policy?

Once you establish your remote work compensation strategy, creating and following clear guidelines can help you to maintain consistent pay practices that employees view as fair and equitable.

### Conclusion

We will monitor developments as remote and hybrid policies continue to shape the future of work. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information. For further information, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [Wage and Hour Practice Group](#), [Pay Equity Practice Group](#), or [Labor Relations Practice Group](#).

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