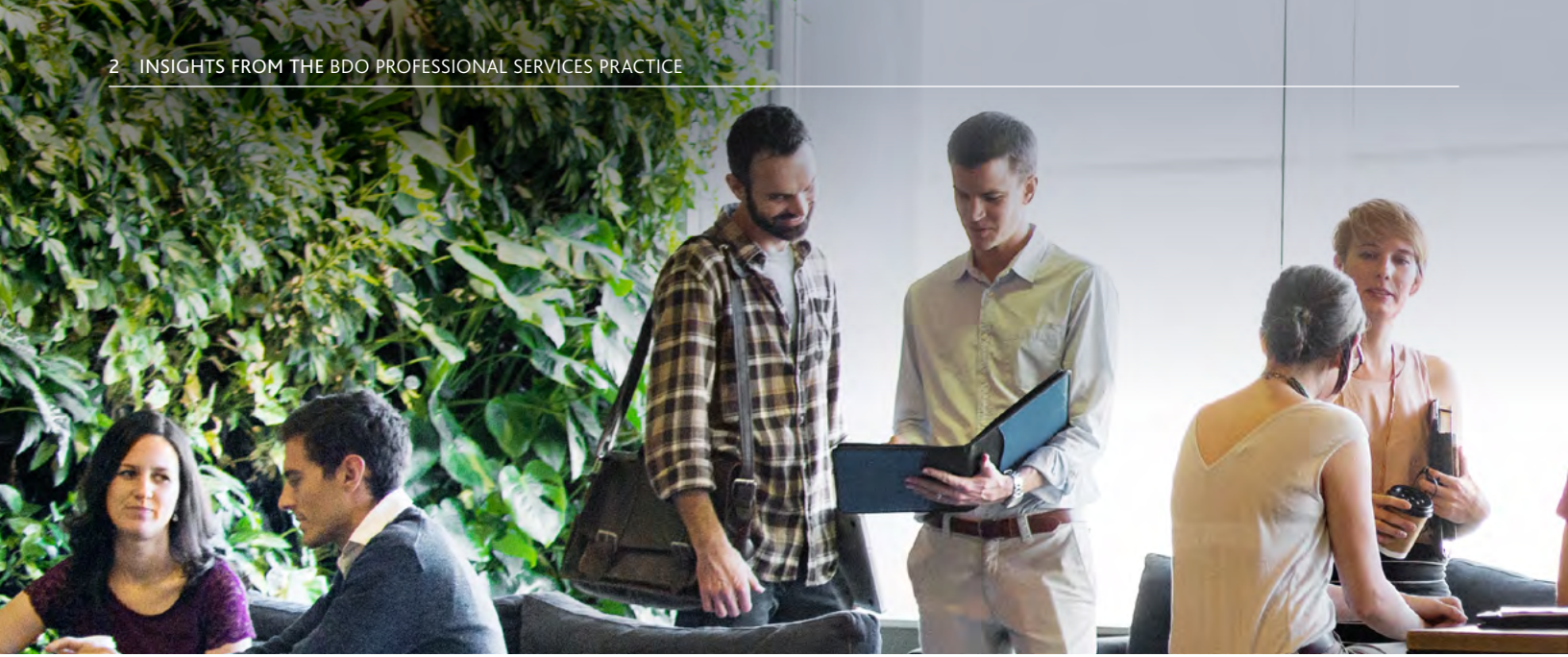


INSIGHTS FROM THE BDO PROFESSIONAL SERVICES PRACTICE

# TODAY'S PROFESSIONAL SERVICES INDUSTRY PRIORITIZES ITS PROFESSIONALS



**BDO**



## Recent years have seen a surplus of headlines forecasting and preparing for a post-2020 work environment.

In 2022, companies are still facing COVID-19 concerns, and the reality is that professional services firms face new and continued challenges that include navigating the tax implications of various work arrangements and attracting and retaining talent amid shifting labor trends.

The current landscape requires an assessment of ongoing issues, with an eye toward the future, by planning for improved relations between staff and leadership, creating a compelling work environment and strengthening company culture under non-traditional circumstances.

### THE FUTURE IS NOW

The pandemic did not create concerns surrounding the inefficiency and expense of a commute or the limitations of a labor pool confined to geographic location. It certainly didn't introduce the appeal of striking the ideal work-life balance. The pandemic did, however, highlight these issues, leading many to reevaluate their personal and professional lives.

Reevaluation of these inefficiencies prompted approximately [47 million Americans](#) to voluntarily leave their jobs in 2021. While early reports focused on record resignation rates, closer examination reveals that the shift was more a large-scale reshuffle than a mass exodus of workers from the labor market.

Workers' reasons for leaving shed light on shifting values. Some left for a different job that offered an alternative company culture, greater flexibility, better benefits and in many cases, a higher salary. According to the Atlanta Federal Reserve Bank's wage growth tracker, wage gains for those who've switched jobs have [outpaced](#) wages of those who've stayed with the same employer since 2011.

For many in the workforce, the pandemic may have been the impetus for a lifestyle change they were already considering. [More than half \(53%\)](#) of Americans who left their jobs in 2021 entered a different industry, per Pew Research. Some became their own boss. The number of self-employed workers actively at work rebounded strongly in the economic recovery, [increasing by 17.6%](#) from the second quarter of 2020 to the second quarter of 2021. Others have left the workforce completely. Well-founded fears of COVID-19 exposure, the disruption of longstanding routines and feelings of job insecurity pushed [an estimated 2.4 million Americans](#) into early retirement.

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## EMPLOYEES HAVE MORE OPTIONS THEY CAN TAKE. EMPLOYERS HAVE MORE DECISIONS TO MAKE.

Recent trends have intensified competition between employers, inspiring them to rethink scheduling, compensation and benefits policies, workforce planning and strategy to retain personnel and attract new talent.

### Office space trends



All organizations are focused on mitigating the risk of COVID-19 transmission as employees return to the office. Some companies implementing hybrid work environments are cutting costs by reducing the square footage leased.

This is, of course, if firms plan to maintain a physical presence at all. Some are opting for fully remote operations. Today's wealth of technology enables service-based industries to assist clients from any location, affording professional services firms more flexibility than other industries as everyone adjusts to a post-2020 workplace.

### Talent hubs



Free from the constraints of a commute, many were able to establish home offices in more spacious homes in areas with a lower cost of living. A study conducted by Zillow found that [11% of Americans](#) moved during the pandemic.

Many migrated to the American South and West, where they could enjoy warmer weather and the area's tax benefits. Employers followed suit, relocating headquarters, or opening second headquarters or satellite offices to accommodate employees that moved. Expansion into popular markets can also attract new employees to the area, aiding in the creation of talent hubs that stimulate local economies. The professional services industry is breathing new life into numerous Sun Belt cities. Late 2021 Bureau of Labor Statistics data indicated that Nashville, Tampa, Dallas and Phoenix all matched or exceeded that year's national growth rate for professional services jobs. With an [increase of 10.7% in 2021](#), Dallas nearly doubled the national professional services job creation rate of 5.6%.

### Tax implications



New approaches to working come with new tax implications. Under traditional circumstances, nexus created tax obligation is based on a company's physical presence in a state. In the spring of 2020, many states indicated they would not impose nexus on companies allowing employees to work remotely temporarily due to COVID-19. However, some states were outliers. New York held temporary remote workers responsible for paying state income tax. Two years later, as remote work becomes a permanent fixture of many companies, tax law continues to vary by state and shift by circumstance.

Professional services firms that embrace remote work environments, relocations and expansions into secondary markets should be aware of the tax implications of each decision. An [employee mobility risk assessment](#) performed by a third party can help firms determine how to proceed.

### Employees have more options than they did in

**2019.** Those just entering the workforce increasingly prioritize company values, reputation and culture in addition to salary when deciding whether to apply for a role. Now that professional services firms have mostly stabilized operations since the pandemic began, they can dedicate time and resources to revamping working conditions to meet shifting employee standards. Even companies that maintain physical office space are offering employees remote work options to compete for talent in a limited labor pool and reap other associated benefits.

# Tips for managing your remote workforce

Firms that take the following steps are well-positioned to effectively manage a remote workforce.

## ADDRESS MISALIGNMENT BETWEEN STAFF AND LEADERSHIP



Many of the worker struggles that came to light during the pandemic stemmed from a disconnect between staff and leadership. Though it brings many benefits, remote operations can widen the chasm between employee and employer. It is easier for both parties to read the proverbial room and voice concerns accordingly when everyone is in the same physical space. Employees are companies' most valuable assets. Whether in-person or via video call, it is crucial leadership consistently checks-in with staff and respects the voice of the employee.

Compensation is a common source of discord between leadership and staff. A competitive job market might inspire employers to increase wages, but this practice is complicated by remote work considerations. Because the cost of living varies throughout the U.S., firms managing a remote workforce might struggle to determine whether they should base salary

on the job market local to corporate headquarters or the job market local to the individual employee.

The questions don't end with a decision. For example, a New York City-based company might pay a local remote employee a salary in line with local standards. If said remote employee leaves the Tristate area for the Great Plains, where the cost of living is significantly lower, they'd still have more take-home pay than a colleague that never left the Great Plains performing the same job.

Though employers have pivoted to address these issues, they'll need to keep the lines of communication open to ensure continued progress. A third-party advisory service can help diagnose areas of misalignment between staff and leadership, help set priorities and provide steps for resolution. Alignment between staff and leadership can set the foundation for further evolution.





## CREATE A COMPELLING WORK ENVIRONMENT



The professional services industry is increasingly dedicating time and resources to improving customer experience (CX), but it should also devote efforts to creating a compelling experience for employees. Tactics run the gamut from offering employees unlimited PTO to scheduling weekly meetings (whether online or in-person) where staff members' accomplishments are recognized.

Companies who want to successfully lure their employees back to the office need to emphasize the value of in-person interactions while replicating the comforts of working from

home. Employers are increasingly outfitting offices with amenities like coffee bars, health and wellness programs, green spaces, increased collaboration space and rooms for quiet contemplation. They are also expanding conference rooms for in-person client meetings and collaborative brainstorming sessions.

The pandemic demonstrated that much of the work traditionally performed in the office can be performed at home — especially in the professional services sector — adding an extra layer of responsibility for companies committed to driving employees back to the office.

These companies should aim to differentiate in-person work from remote work by:



Optimizing onboarding and training



Creating a comfortable space conducive to productivity



Conducting regular check-ins



Promoting a strong workplace culture

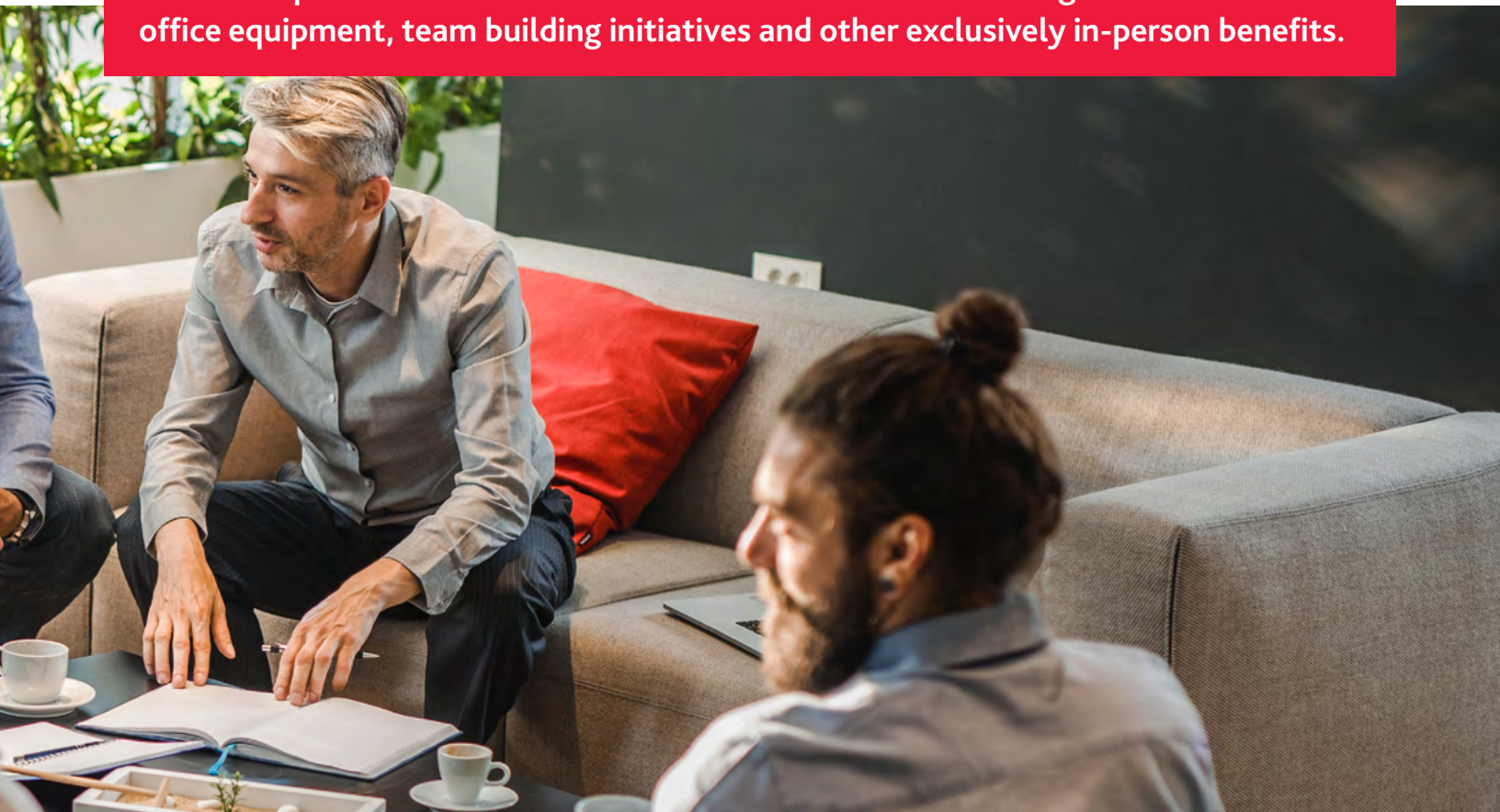


Facilitating opportunities for learning



Emphasizing team collaboration and communication

**These companies can incentivize face-to-face interactions through state-of-the-art office equipment, team building initiatives and other exclusively in-person benefits.**



## FOSTER A STRONG CULTURAL CONNECTION



Corporate culture is increasingly factoring into employees' decisions to join and remain at a company. Strong organizational cultures encourage employees to provide feedback, develop skills and move through the ranks with clearly defined goals along the way. The potential for growth through upskilling might attract new employees and appeal to existing staff as it offers employees opportunities for career advancement. Upskilling initiatives also benefit the company by increasing efficiency.

Support is integral to fostering a strong cultural connection. Employers should consistently keep burnout in mind and compensate employees accordingly. Today's wealth of telecommunications, collaboration and eLearning software can help companies support employees through the creation of dialogues, upskilling initiatives and collective projects. Together, these efforts can bolster company culture in a remote or hybrid work environment.

## The post-2020 work environment **belongs to the worker**

We are embarking on a new era of work driven by employees' work patterns and preferences. Professional services firms that offer employees greater flexibility through remote work, upskilling and other accommodations and opportunities for advancement are equipped to compete. Firms that strive to align staff and leadership, foster an appealing work environment and promote a strong corporate culture can achieve sustained success.

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