

Global Compensation & Benefits Watch

Compensation and Benefits in the Post-COVID World

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Today's Presenters



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Some of the issues we will be addressing today

- Corporate governance, employee relations, and other hurdles to changing compensation and benefits programs
- Implications of COVID-19 for a company's total rewards strategy and how that strategy can help in managing the workforce,
- Strategic and tactical processes for compensation and benefit programs stemming from the COVID-19 crisis



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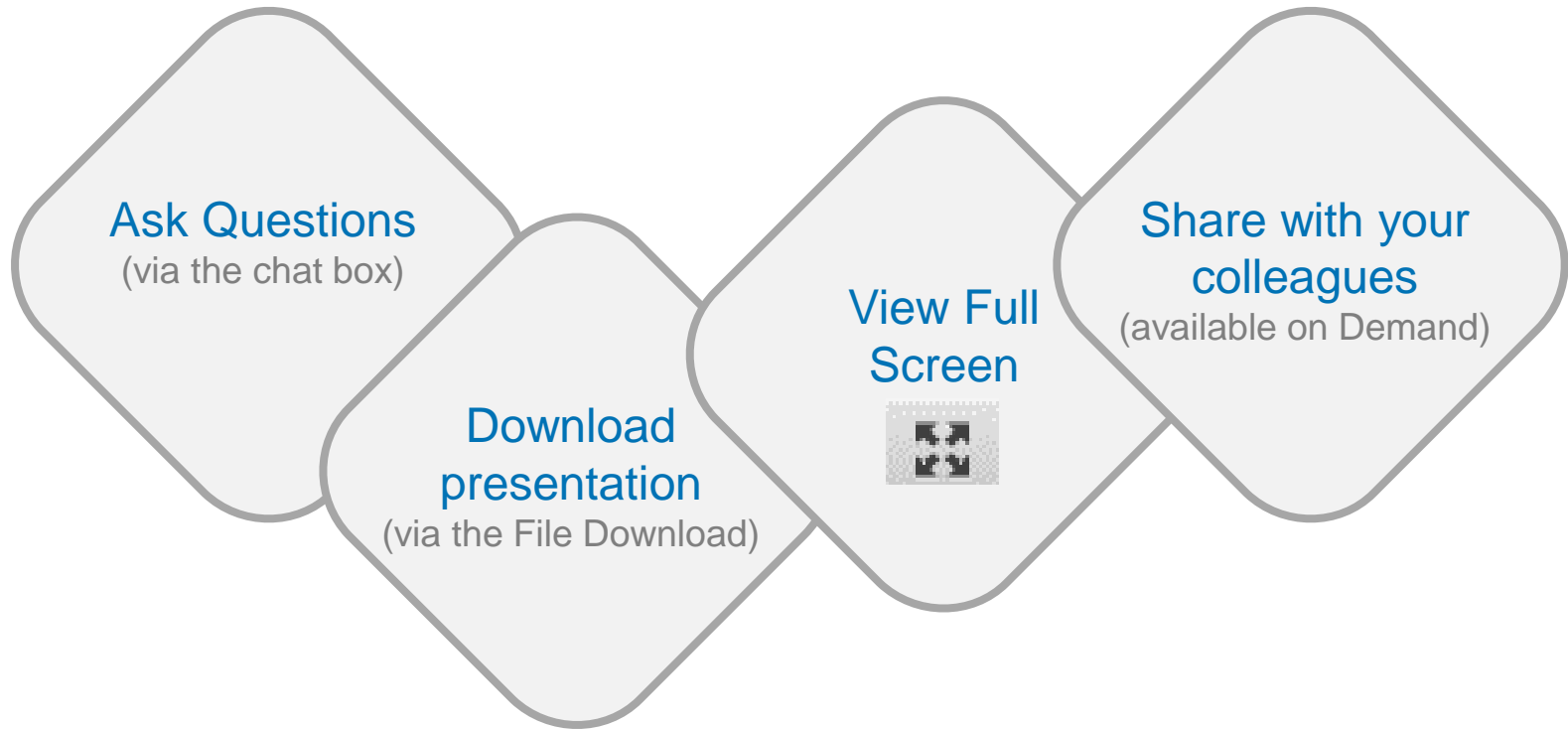
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Employee Considerations When Seeking to Change Compensation and Benefits

Employee Considerations When Seeking to Change Compensation and Benefits

- The problem to solve may be the same in every country, but the solution will not be.
 - ✓ Employees will see what is being done in another country, and expect the same treatment.
- Benefits will become more valuable in the eyes of employees.
 - ✓ Will employees be willing to trade compensation to maintain or enhance benefit coverage?
 - ✓ Shifting in priority of benefits?
 - ❖ Medical/Life/Disability/Child or Dependent Care over Retirement



Employee Considerations When Seeking to Change Compensation and Benefits

- What is the source of the employees' entitlements?
 - ✓ Statutory law
 - ✓ Express contractual term
 - ✓ Acquired right
 - ✓ Collective agreement

- Is there a union/works council in place, and what rights do they have?

- Annual bonus goals/targets/metrics were likely communicated/distributed prior to full onset of the global pandemic.



Challenges Facing Employers When Changing Compensation and Benefits

- The employer cost to provide the same level of benefits is likely to increase at a time when employees are going to place a greater value on benefits.
- Process to properly implement change may be too onerous or take too long.
 - ✓ Consent
 - ✓ Notice
 - ✓ Consultation
- The greater risk of employees bringing claims is at the time of termination.
 - ✓ Employees may not raise concerns today out of fear of losing their jobs or need to resign (i.e. constructive dismissal), but this does not mean employers are out of the woods.
- How to avoid strikes and prevent employees from seeking collective representation.



Implications of COVID-19 for a company's total rewards strategy

How Business Actions and Priorities align with COVID-19 Timeframes

Employer's Business Actions and Priorities are aligned with the Timeframes identified in Aon's Pandemic Crisis Management Model for COVID-19



Global Compensation and Workforce Planning Considerations

Impact Magnitude	High	<p>Furlough— Mandatory unpaid leave for specified employee groups</p> <p>Temporary site closures</p> <p>Broad-based wage cuts – voluntary/involuntary as permissible by law</p>	<p>Lay off/workforce reductions</p> <p>Cancel non-statutory base-salary adjustments/merit increases until further notice</p> <p>Cancel 2020 non-sales incentive plan</p>	<p>Long-term restructuring of operations/workforce</p> <p>Implement digital/technology roadmap to support a more agile workforce</p>
	Moderate	<p>Reduce hours/work week</p> <p>Reduce/suspend/delay DB/DC, employer accruals, matches and contributions</p> <p>Provide allowance to pay for work-from-home equipment</p>	<p>Modify incentive plans: performance/pay curve; goals; funding, threshold...</p> <p>Extend deferral/postponing of base salary adjustments/merit increases</p> <p>Defer/reduce equity grants</p> <p>Voluntary retirement/exit incentives</p>	<p>Downsize workforce via furloughs/layoffs</p> <p>Manage compensation for virtual employees, e.g., applying geographic pay differential due to larger virtual workforce</p>
	Low	<p>Staff Redeployment/Virtual Work</p> <p>Defer wage increases/bonus payout</p> <p>Hiring freeze</p>	<p>Flexible working hours for employees with young children</p> <p>Eliminate non-essential perks/benefits</p> <p>Provide lump sum payments in lieu of planned salary increase as allowed by law</p>	<p>Implement selective hiring process – e.g., key roles or replacement only</p> <p>-</p> <p>Modify HR policies, procedures around flexible/virtual working conditions</p>
		<i>Short-Term – React & Respond</i>	<i>Mid-Term - Recovery</i>	<i>Long-Term – Reshape</i>
Impact Timeframe				



Mid- to long-term impacts on employee benefits from Covid-19

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Worsening underwriting conditions

- Increased mortality will impact life insurance premiums
- Delayed diagnoses leading to higher medical costs
- Expected surge in mental health and musculoskeletal issues impacting disability
- Declines in the financial stability of some insurers and networks
- Captives may be cautious over life / health risks
- Increased costs of reinsurance protection



Increasing medical trend

- Scarcity of medical resources around the world
- Reward packages likely to increase for health industry employees
- Further cost shifting from public to private health systems
- Volatility in foreign exchange markets pushing up price of imported drugs and equipment



Increased global benefits governance

- Companies wanting more detailed benefit inventories and audits
- Benefit strategies being reviewed and greater compliance will be required
- Greater focus on DC plan governance in light of market falls
- Broad benefit programs being reviewed to support future pandemic situations



Wellbeing a business priority

- Link between COVID-19 and underlying physical conditions
- High sickness rates impacting short term business continuity
- Lockdown impacting on social, financial and emotional wellbeing
- Continued interest in EAP and telemedicine services and further evolutions of these services



Evolution of the benefits package

- Holistic leave programs rather than multiple separate plans
- Work from home impacting worksite injuries / workers compensation
- Managing benefits for furloughed employees
- Personal hygiene / social distancing likely to change the agile working model
- Flexible benefit offerings adapting to new environment





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Starr, a leading global insurance provider, has recently launched a program that helps employees where they need it most: paying off their student debt. Join this webcast to hear how they budgeted for the program and how it is improving employee retention.

- [Repurposing ESG Post COVID-19 \(July 2\)](#)

Given the change of priorities, will climate change regain the priority standing that it had just months ago and where do the emerging opportunities for collaboration lie? Join our expert panel to learn more.

- [Corporate Citizenship: At the heart of the new normal\(s\) \(July 7\)](#)

Join us to get a first look at new survey results that reveal how corporate citizenship and philanthropy executives globally are evolving their strategies and practices in response to the effects of COVID-19, as well as how companies are taking action as a result of the outcry against racial injustice.



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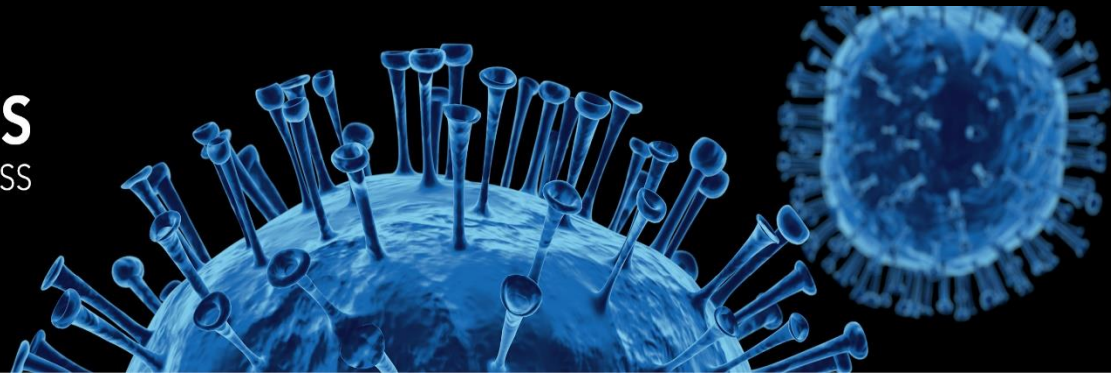
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Want to hear more about this topic and how the spread of COVID-19 will impact business and the global economy?

The Conference Board has gathered insights and learnings from our thought leaders and member network which we hope will be helpful as you formulate, implement and manage your own crisis response.

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