



Milwaukee Area Compensation Association

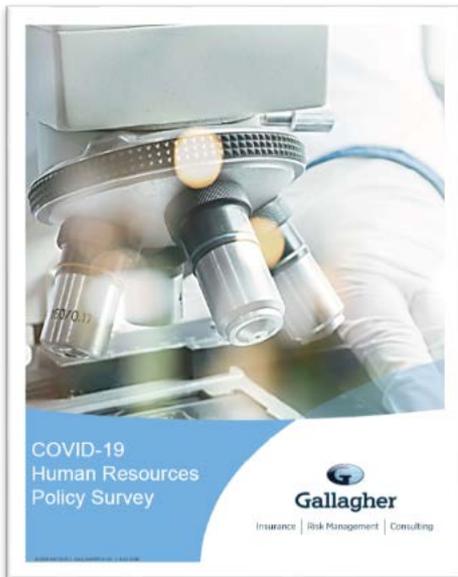
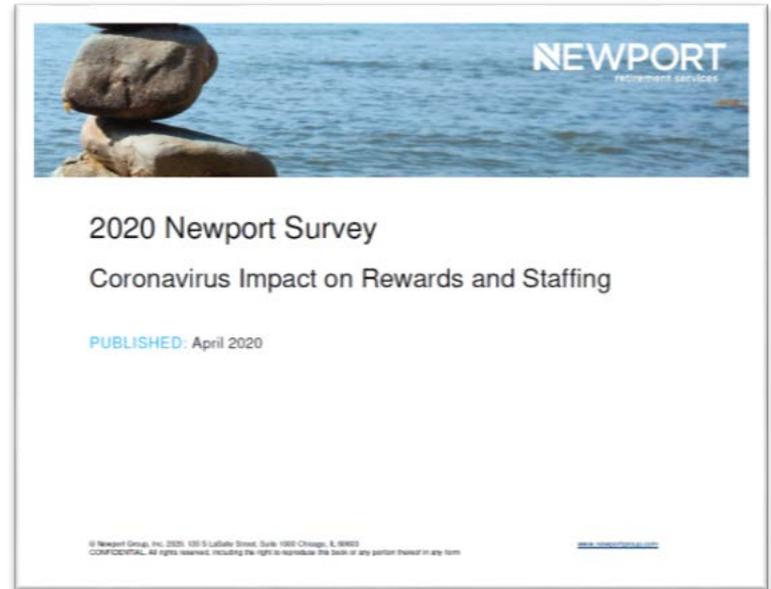
## Virtual Roundtable – 5

Covid-19 from a Compensation & Benefits Perspective

4.14.2020

# Research Sources

- Korn Ferry
- Mercer
- Gallagher



**MERCER**

**Globally, how are companies supporting their employees during this outbreak?**

Mercer is currently capturing company responses relating to the COVID-19 pandemic. Data points are effective starting from March 18, 2020 and are automatically updated with each new data submission from the [survey](#), regardless of location. [Stay informed](#) with Mercer's coronavirus resource page. Mercer's [Terms of Use](#) apply to materials on this site.

**General COVID-19**

Do companies have a business continuity plan or pandemic preparedness plan in place to handle global outbreaks of pandemics?

Response	Response percent
Yes, we are implementing globally in all our locations	60.53%
Yes, we have implemented only in specific locations	13.32%
No, but we are in the process of developing/updating a plan	21.28%
No	4.87%

Expert Graph Statistics based on 2,237 respondents

**What is the impact of current operational responses to COVID-19?**

Response	Response percent
Minimum impact, most employees can work from home	26.63%
Moderate impact, some employees need to work on-site	44.95%
Significant impact, most employees need to work on-site	25.75%
Total impact, complete shut down	2.67%

Expert Graph Statistics based on 2,249 respondents

# Key Takeaways – Korn Ferry:

Conducted March 18-26

- 80% of the organizations have business continuity plans in place
- 48% of organizations think the pandemic will have a negative impact
- Most organizations believe benefits and rewards will be affected for all employee groups
- Unequal impact on industries within the country:
  - Transportation, retail, hospitality, NFP and service organizations have already experienced substantial negative impacts
  - Banks, high technology, consumer products utilities expect less of an impact.

## Key Takeaways – Korn Ferry:

- 38% of organizations are expecting annual business revenue to decline by more than 15%.
- Most respondents believe any changes to the rewards will likely include all employees throughout the organization.
- At publication time, only 21% of participants had implemented, or even considered implementing salary cuts.
- At publication time, 33% had considered, or already frozen salary increases, and/or deferred merit increases. (Mercer showed 30%)
- 33% of participants had considered an adjustment to sales and STI.

# Key Takeaways – Korn Ferry:

- 33% had active leave management in place, and 21% had unpaid voluntary leave in place (additional 26% considering the option).
- 45% of organizations had a hiring freeze, and additional 28% were considering. (Mercer 36% freeze, 36% changed to virtual recruitment)
- Top 4 accommodations made are:
  - Voluntary work from home
  - Social distancing
  - Increased safety measures
  - Increased technology



# Key Takeaways – Mercer

Effective March 18

- At publication time – 83% of companies were not considering changes to executive compensation.
- 38% of companies had mandated company wide arrangements for all employees globally to work from home.
- 57% of companies were somewhat concerned with productivity of workplace as they work virtually.
- 55% of companies were supporting parents move to flexible work schedules (work earlier or later in the day) in the face of childcare/school closure needs.

# Key Takeaways – Mercer

- To keep employees connected to one another, 43% of companies had established regular “hangout” opportunities, while 50% encouraged employee resource group interaction.
- 81% had developed a regular cadence for communication from senior-most leadership to all hands through company-wide communications that focus not on data alone, but practical actions the company has undertaken.
- 56% provided guidance and increased communications to educate employees who must be present at workplace

# Key Takeaways – Mercer

- Actions Companies are taking:
  - 85% cancelled international travel
  - 80% enhanced cleaning and sanitizing efforts across facilities
  - 68% cancelled domestic travel
  - 68% closed offices
  - 66% requested self-quarantine for those who've traveled
  - 66% dissemination protective gear
  - 56% arranged flexible schedules
  - 56% adjusted VPN capacity in anticipation of slowdowns

# Key Takeaways – Gallagher

Effective March 20

- 92% of companies had employees working from home
- 86% had developed a communication strategy related to COVID-19 to distribute within the organization.
- 77% had provided opportunity for staggered shifts/flexible work hours

# Key Takeaways – Newport

Effective April 6 – Midwest

- A majority in all categories had not implemented changes... YET.
- Voluntary leave policies 20-25%
- Delaying Merit increases 15-18%
- Modifying Management STIs 18%
- Implementing Hazard Pay 20%
- Job/Sharing or reallocating hours 23%
- Delaying new hires 17%
- Temporary layoffs 18%

# Key Takeaways – Newport

- Hazard Pay
  - One time bonus of between \$300-\$600
  - \$9/hour for everyone under a certain level
  - \$20 per diem for any employees who have to work on site
  - 15% of base to be paid out after the pandemic
  - Hazard pay for additional hours needed
  - An extra week of PTO for all employees.

# Thanks!

Next time we'll discuss Exec Comp in the age of Covid19

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# 2020 Newport Survey

## Coronavirus Impact on Rewards and Staffing

**PUBLISHED:** April 2020

# Coronavirus Impact on Rewards and Staffing

## Introduction

### About This Survey

This survey was launched on March 30, 2020, in response to the COVID-19 pandemic of 2020, and participation closed on April 6, 2020. Responses were received from 60 organizations with responses required to each question. The purpose of this survey was to see what type of compensation and staffing measures organizations have taken as a direct result of the 2020 COVID-19 pandemic.

Survey topics:

- [Compensation responses](#) to include: base pay freezes, base pay cuts, base pay increases, delay of annual merit increases, modifications of short-term incentives, hazard pay, and voluntary and involuntary unpaid leave.
- [Hazard pay details](#), when provided.
- [Staffing responses](#) to include: working from home arrangements, delaying new hires, increasing new hires, reduction-in-force, temporary layoffs, job sharing or reallocating of hours, decreasing or increasing overtime, adjusting shift arrangements, and implementing temporary shutdowns.

### About Newport

Newport has over 1300 employees in 23 offices across the country, from which we offer consulting services and provide retirement plan services.

Newport helps companies offer their employees a more secure financial future through retirement plans, insurance and consulting services.

We are dedicated to bringing our clients the most powerful, needs-based array of services and we continually seek to expand our product line and coverage to deliver the services that you need.

Steeped in decades of experience, we provide consulting for employers and serve all industries, with specialization in medical/healthcare, manufacturing, financial institutions, not-for-profit and professional services. Our consulting expertise covers compensation advisory services including executive and workforce compensation, as well as retirement plans and health and welfare.

# Coronavirus Impact on Rewards and Staffing

## Methodology

Data collection was administered via a secure web-based data submission tool. Survey results are based on answers to our questionnaire provided by 60 participants; these answers were analyzed for consistency and prepared for presentation by Newport's Compensation Consulting team. All individually submitted data is kept strictly confidential, and only aggregate results are reported so as not to disclose any individually reported information.

For questions or further information, please contact:



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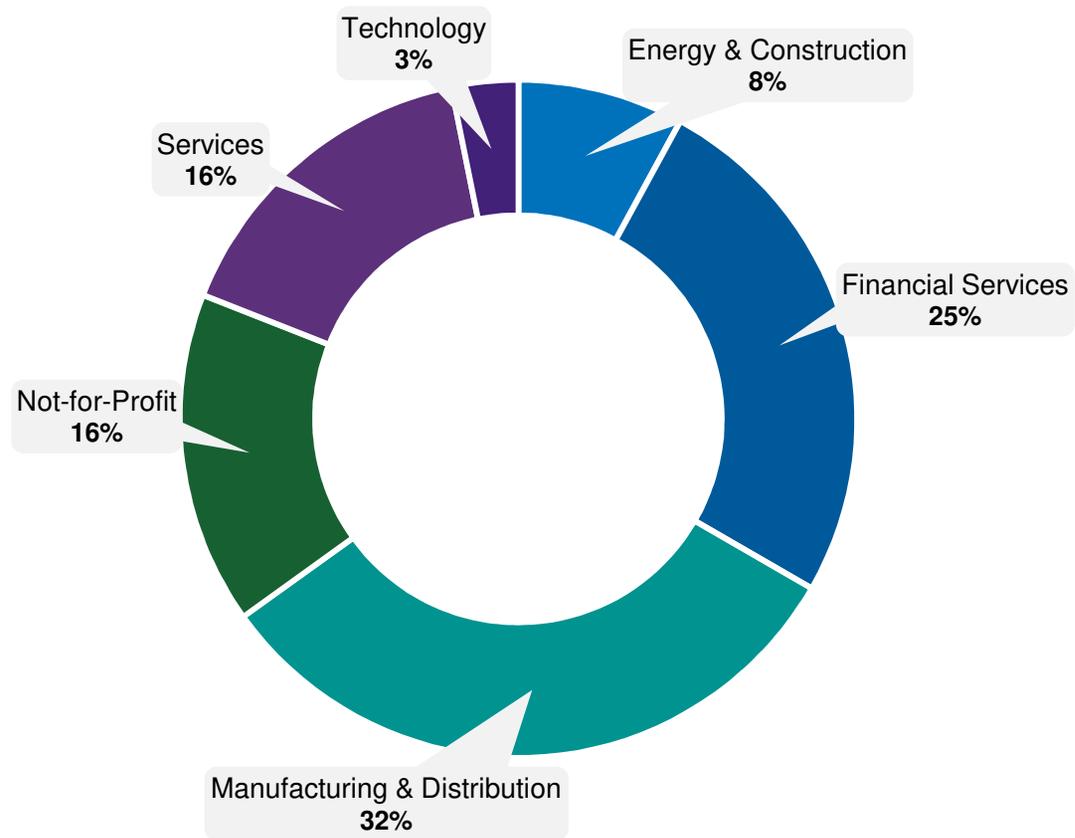
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# Coronavirus Impact on Rewards and Staffing

## Demographics

Participants were asked to identify their industry sector with the following results:

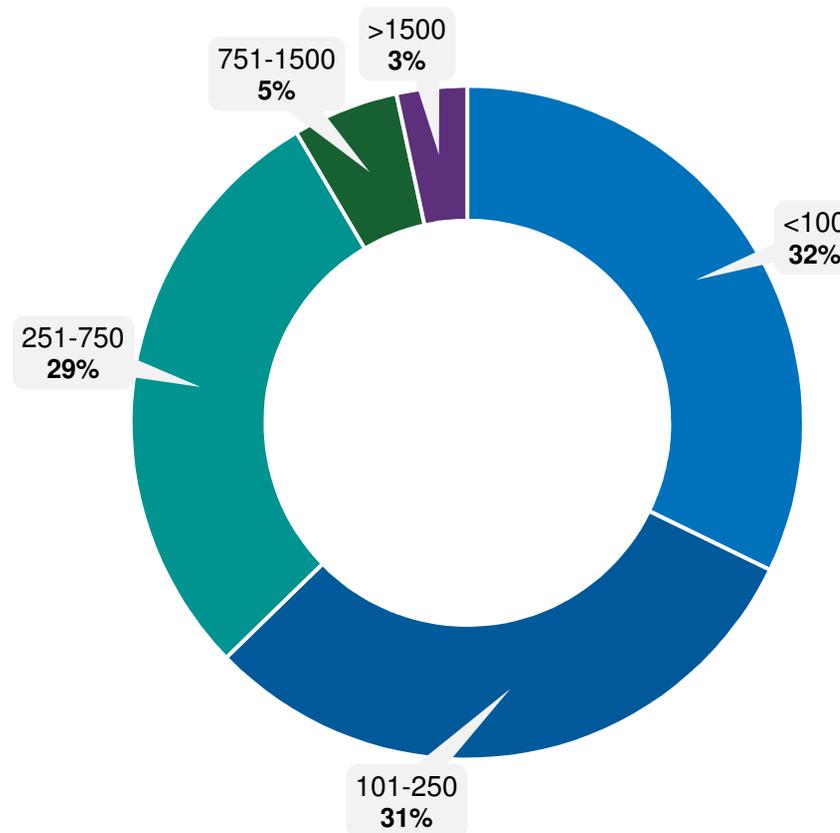
### Industry



# Coronavirus Impact on Rewards and Staffing

Participants were asked to identify their number of full-time equivalents (FTEs), with the following results:

## Full-time Equivalents (FTEs)



# Coronavirus Impact on Rewards and Staffing

## Executive Summary

### Key Observations for Management Group

- For all change categories, the majority (>50%) of respondents were not implementing or considering implementing the change.
- Of changes **already implemented**, most common change was implementation of voluntary unpaid leave – **20%**
- Of changes **being considered**, most common considered changes were:
  - Delaying payment of annual merit increases – **18%**
  - Making modifications to short-term incentive/annual bonus plan(s) – **18%**

### Key Observations for Professional Group

- For all change categories, the majority (>50%) of respondents were not implementing or considering implementing the change.
- Of changes **already implemented**, most common change was implementation of voluntary unpaid leave – **25%**
- Of changes **being considered**, most common considered changes were:
  - Delaying payment of annual merit increases – **17%**
  - Implementing Hazard Pay – **17%**

### Key Observations for Hourly Group

- For all change categories, the majority (>50%) of respondents were not implementing or considering implementing the change.
- Of changes **already implemented**, most common change was implementation of voluntary unpaid leave – **25%**
- Of changes **being considered**, most common considered changes were:
  - Implementing Hazard Pay – **20%**
  - Delaying payment of annual merit increases – **15%**

# Coronavirus Impact on Rewards and Staffing

## Key Observations for Organization-Wide Staffing Measures

- 95% have **already implemented** some form of working from home arrangements
- 50% have **already implemented** a delay of new hires
- 45% have **already implemented** an adjustment to shift arrangements

Other measures **being considered** include:

- Job sharing/reallocating hours – **23%**
- Temporary layoffs – **18%**
- Delaying new hires – **17%**
- Adjusting shift arrangements – **17%**

# Coronavirus Impact on Rewards and Staffing

## Results

### Executive/Management Roles

	Already Implemented	Considering	Not Implementing or Considering	Don't Know	Not Applicable
Base freeze	10%	10%	57%	10%	13%
Base cuts	2%	5%	67%	15%	12%
Base increases	2%	8%	68%	10%	12%
Annual merit increases delayed	7%	18%	50%	8%	17%
Short-term Incentive/Annual Bonus modified	7%	18%	43%	10%	22%
Long Term Incentive modified	0%	12%	53%	10%	25%
Voluntary Leave (Unpaid)	20%	3%	45%	18%	13%
Involuntary Leave (Unpaid)	7%	5%	58%	18%	12%

### Key Observations

For executive and management roles, for all change categories, the majority of respondents were **not implementing or considering** implementing the change. Of changes already implemented, the most common change was the implementation of voluntary (unpaid) leave, with 20% of respondents indicating that they had already implemented some type of voluntary leave policy. Eighteen percent (18%) of respondents were **considering** delaying the payment of annual merit increases, and 18% were **considering** making modifications to their short-term incentive/annual bonus plan(s).

# Coronavirus Impact on Rewards and Staffing

## Professional/Staff Roles

	Already Implemented	Considering	Not Implementing or Considering	Don't Know	Not Applicable
Base freeze	8%	10%	60%	8%	13%
Base cuts	2%	7%	70%	10%	12%
Base increases	3%	8%	68%	8%	12%
Annual merit increases delayed	7%	17%	55%	7%	15%
Short-term Incentive/Annual Bonus modified	8%	13%	50%	8%	20%
Hazard Pay: temporary increase for attendance	3%	17%	53%	7%	20%
Voluntary Leave (Unpaid)	25%	12%	45%	7%	12%
Involuntary Leave (Unpaid)	13%	15%	53%	8%	10%

### Key Observations

For professional/staff roles, the most common change was the implementation of voluntary (unpaid) leave, this time with 37% of respondents indicating that they had **already implemented or considering** some type of voluntary leave policy. Across all change categories, the majority of respondents were **not implementing or considering** implementing the change. And again, of changes already implemented, seventeen percent (17%) of respondents were **considering** delaying the payment of annual merit increases, and 17% were **considering** implementing some form of hazard pay, a temporary pay increase for attendance during the pandemic crisis.

# Coronavirus Impact on Rewards and Staffing

## Hourly Roles

	Already Implemented	Considering	Not Implementing or Considering	Don't Know	Not Applicable
Base freeze	7%	7%	58%	7%	22%
Base cuts	0%	2%	68%	8%	22%
Base increases	5%	8%	58%	8%	20%
Annual merit increases delayed	3%	15%	53%	7%	22%
Short-term Incentive/Annual Bonus modified	7%	5%	52%	5%	32%
Hazard Pay: temporary increase for attendance	7%	20%	45%	5%	23%
Voluntary Leave (Unpaid)	25%	13%	37%	7%	18%
Involuntary Leave (Unpaid)	15%	12%	47%	7%	20%

### Key Observations

For hourly roles, twenty-seven percent (27%) of respondents were **considering or have implemented** some form of hazard pay, and 15% were considering delaying the payment of annual merit increases. For hourly roles, once again, for all change categories, the majority of respondents were **not implementing or considering** implementing any immediate change. In addition, similarly to the management and the professional/staff roles, of changes already implemented, the most common change was the implementation of voluntary (unpaid) leave, again with 25% of respondents indicating that they had already implemented some type of voluntary leave policy.

# Coronavirus Impact on Rewards and Staffing

## Hazard Pay

For those organizations that indicated that they have already implemented or are considering implementing “hazard pay” (a temporary pay increase for attendance), some typical descriptions or comments include:

- A one-time bonus of between \$300 and \$600, depending on FTE status
- \$9/hour for all plant staff
- \$9/hour for everyone under a certain level
- \$20 per diem for any employees who have to work on site
- 15% of base to be paid out after the pandemic
- Hazard pay for additional hours needed for essential staff
- An extra week of PTO for all employees

Several organizations reported that they are waiting to respond and will probably do so in mid-April or May.

# Coronavirus Impact on Rewards and Staffing

## Organization-Wide Staffing Measures

	Already Implemented	Considering	Not Implementing or Considering	Don't Know	Not Applicable
Encouraging working from home arrangements	95%	3%	2%	0%	0%
Delaying new hires	50%	17%	23%	0%	10%
Increasing new hires	3%	10%	63%	3%	20%
Permanent reduction in force	2%	3%	80%	8%	7%
Temporary layoffs	10%	18%	55%	10%	7%
Job sharing/reallocating hours	23%	23%	37%	10%	7%
Decreasing overtime	23%	10%	43%	7%	17%
Increasing overtime	12%	8%	57%	8%	15%
Adjusting shift arrangements	45%	17%	25%	2%	12%
Implementing temporary shutdown	7%	10%	70%	0%	13%

### Key Observations

Participants were also asked about staffing measures they may have taken on an organization-wide basis. A full 95% of participants have **already implemented** some form of working from home arrangements, making it the most common measure taken by far. Fifty percent (50%) of respondents reported that they have **already implemented** a delay of new hires, and 45% have already implemented an adjustment to shift arrangements. Other measures being **considered** are job sharing/reallocating hours, 23% of respondents; temporary layoffs, 18% of respondents; delaying new hires, 17% of respondents; and adjusting shift arrangements, 17% of respondents.

# Coronavirus Impact on Rewards and Staffing

## Participants

ARAG	Holmes Murphy & Associates	OPN Architects, Inc
Calibre Systems, Inc.	Illinois Manufacturers Association	Par Aide Products Co.
CBE Companies	ImOn Communications	Paul's Machine & Welding Corp
Ciranda Inc	Iowa Corn Growers Association	PDCM Insurance
Collins Community Credit Union	Iowa Donor Network	Poplar Bluff Municipal Utilities
DockYard, Inc.	Iowa Interstate Railroad	PREMIER
Dupaco Community Credit Union	Kum & Go	Price Electric
DuTrac Community Credit Union	Lesaffre Corporation	Profol Americas Inc.
East Central Energy	Linn County REC	Raining Rose
ESCO Group	Loparex	Search Institute
ESP	Merchants Bank	Sears Seating
EveryStep	MidAmerica National Bank	Seedorff Companies
First Citizens Bank	MidWestOne Bank	TH Foods, Inc.
First Security Bank & Trust	Minnesota Corn Growers Association	Think Small
Folience	Neighborhood Finance Corporation	U.S. Grains Council
Frontier Coop	New Leader Manufacturing	Veridian Credit Union
Geater Machining & Manufacturing, Co.	NRTC Managed Services/Security Coverage	Vibrant Credit Union
GreenState Credit Union	Ohio Chamber of Commerce	West Music
Health Enterprises	Ohio Corn & Wheat Growers Assn.	Western Fraternal Life Association



**NEWPORT**<sup>TM</sup>  
retirement services



*KORN FERRY*  
**DIGITAL**

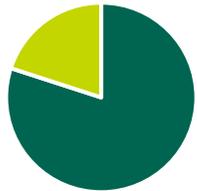
**Results of Pulse Survey  
Impact of COVID-19 on  
Rewards & Benefits**

March 2020

# INTRODUCTION AND HIGHLIGHTS

Korn Ferry conducted a pulse survey to understand the impact of COVID-19 on business and human capital management practices. The pulse survey ran from 18th to 26th March 2020.

This report covers responses from the following organization profiles:  
Geography: North America  
Sector: All



81% of the organizations have business continuity plans in place



48% of organizations think the pandemic will have a negative impact, 10% a neutral or positive impact, while 42% are not certain



Most organizations believe rewards and benefits will be affected for all employee groups



# KORN FERRY PERSPECTIVE

These global findings provide a broad indication of the initial impact that COVID-19 has had on global business, however, we wish to note that:

- We are still in an early phase of this pandemic.
  - These survey findings will undoubtedly change over the coming weeks.
  - 42% of North American participants are not certain of the impact on their business, and a majority are not yet considering changing their base salary, benefits, short term and long term incentive programs
  - Korn Ferry will be updating these survey findings periodically over the coming weeks to capture changes as they evolve
- Not all industry sectors within North America are impacted equally.
  - Transportation, retail, hospitality, not-for-profit and services organization expect, or have already experienced, substantial negative impacts on their business
  - Banks, healthcare, high technology, consumer products, utilities and public sector organizations expect less serious impacts

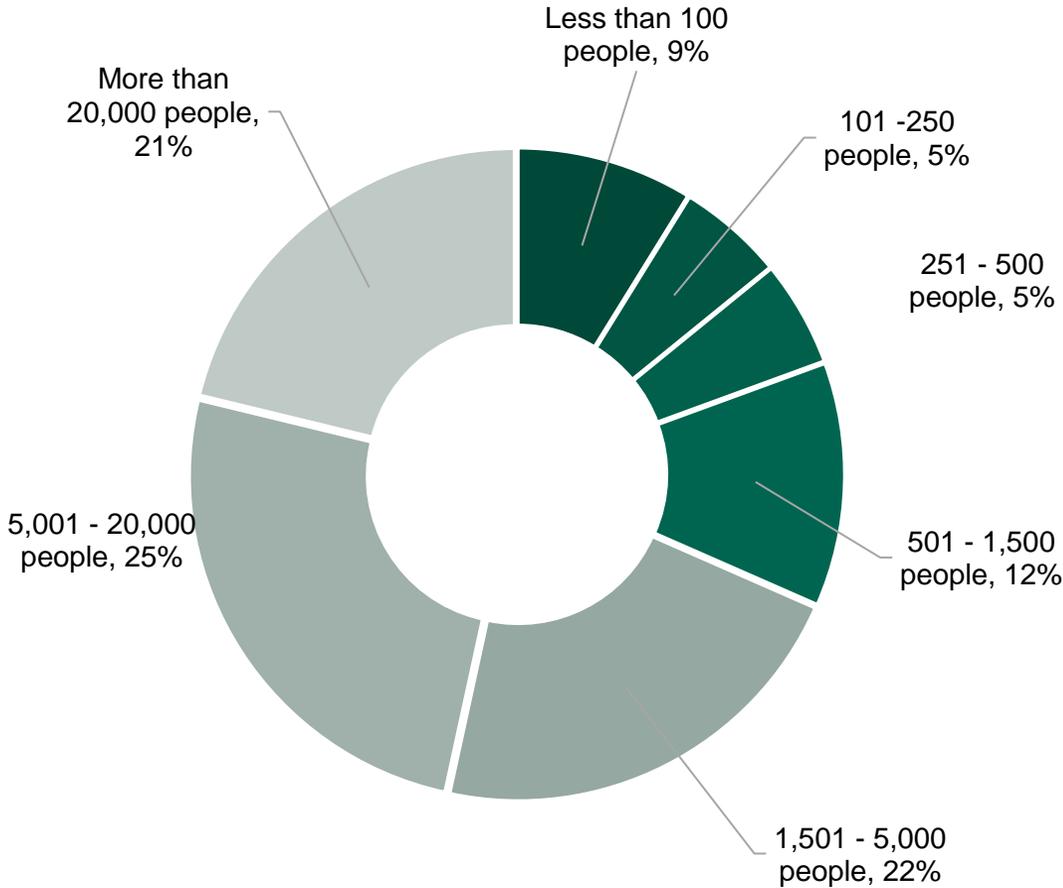


# PARTICIPANTS OVERVIEW

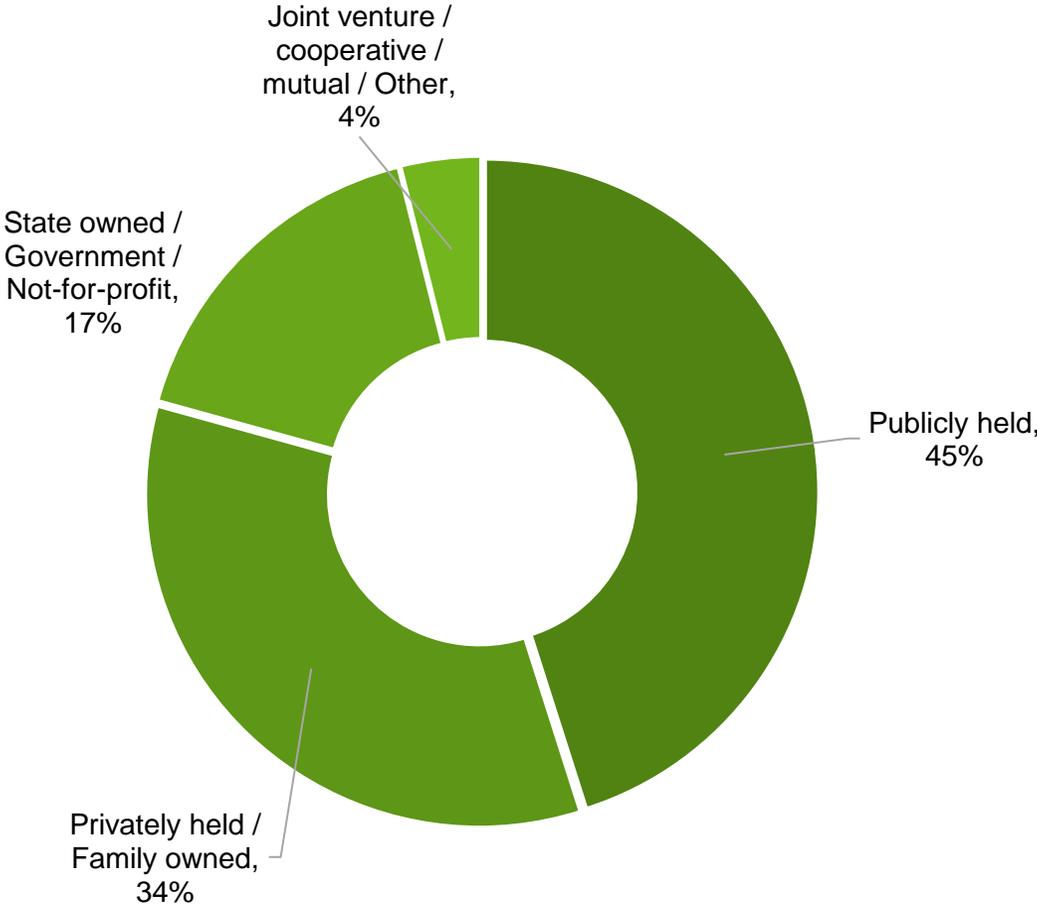
The majority of respondents are from the Compensation and Benefits function and were at Manager level and above. A wide range of size, ownership and industry are represented.

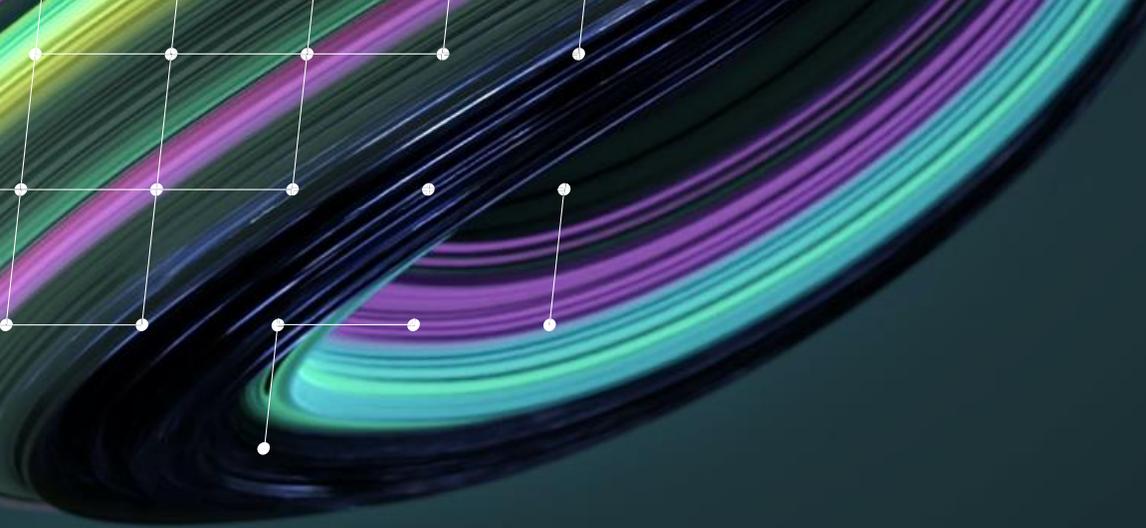
## PARTICIPANT PROFILE

### BY ORGANIZATION SIZE



### BY OWNERSHIP TYPE



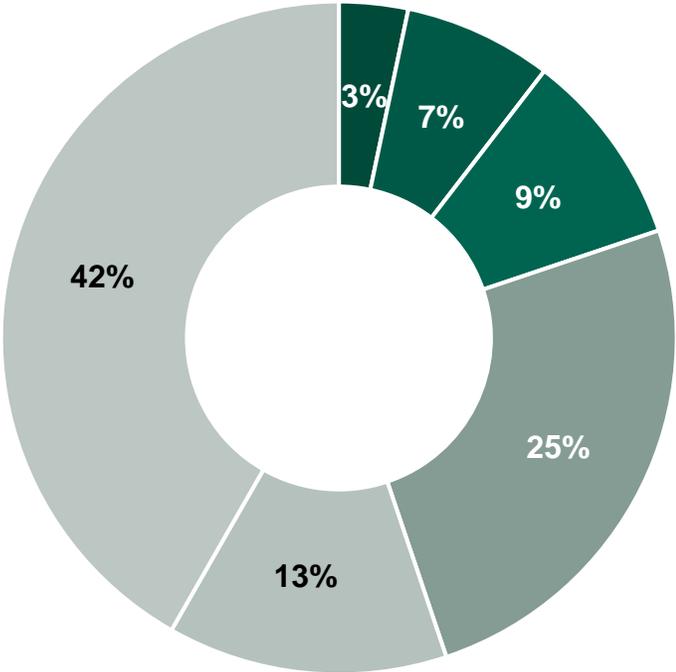


# SURVEY RESULTS



# 1. MARKET PERCEPTION ON PANDEMIC EFFECT ON BUSINESS IN 2020

Q: Will the pandemic have a negative impact on the organization's business in 2020 (estimated)?



**3%** **Positive Impact**  
Annual business revenue is expected to increase by more than 10% over budget

**7%** **No Impact**  
Annual business revenue forecast is in line with budget

**9%** **Small Impact**  
Annual business revenue is expected to decline by 5%~15%

**25%** **Moderate Impact**  
Annual business revenue is expected to decline by more than 15% - 30%

**13%** **Serious Impact**  
Annual business revenue is expected to decline by more than 30%

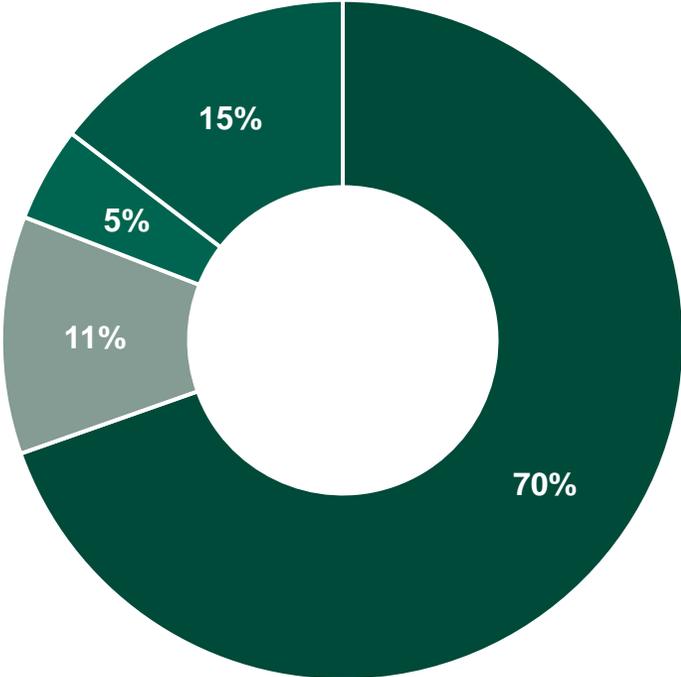
**42%** **Don't know yet**

## KEY TAKEAWAYS

- 38% of organizations are expecting their annual business revenue will decline by more than 15%, which is perceived as a moderate to serious impact.
- 42% of organizations do not yet have a view on how much their business will be impacted.
- 10% of organizations expect a neutral or positive impact on their business.

# 2. BUSINESS CONTINUITY PLAN AVAILABILITY

Q: Does the organization have a Business Continuity Plan in place?



**70%** Yes, with plan to adjust

**11%** Yes, and not planning to adjust

**5%** No

**15%** Yet to be determined

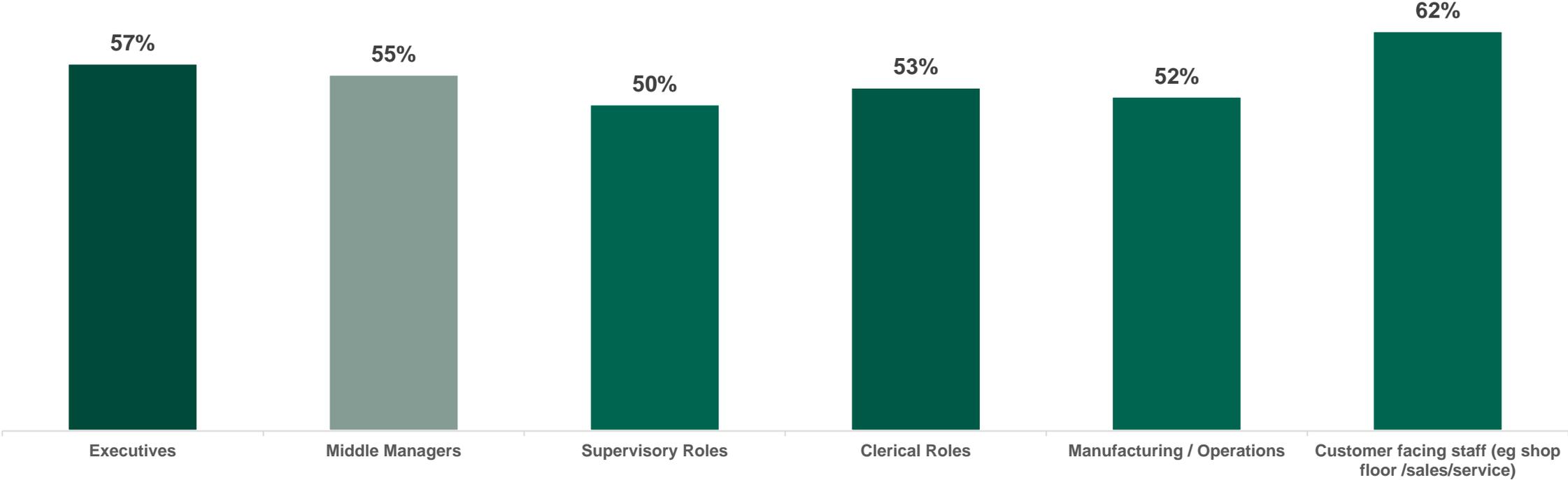
A Business Continuity Plan (BCP) is a risk mitigation process embedded within the organization to ensure it can prevent and recover from potential threats. Our survey indicates that 70% have a BCP already in place, but with plan to adjust.

What does that mean? When threats becomes a reality, companies with BCP can adapt to the crisis and adjust any strategy necessary to avoid more significant losses to the organization and to its people.

# 3. REWARDS & BENEFITS

## 3.1. Affected employee groups

Q: Which employees are likely to be affected from a rewards and benefit perspective?



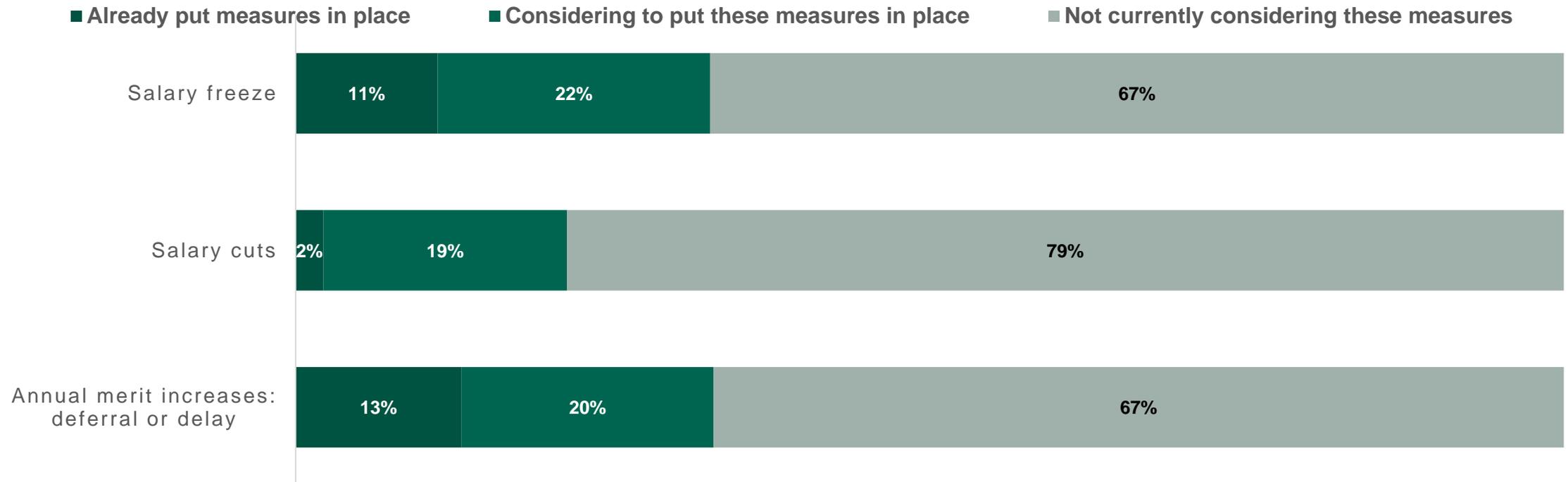
### KEY TAKEAWAYS

- Most respondents believe that any adjustments to rewards will likely include employees throughout the organization.

# 3. REWARDS & BENEFITS

## 3.2. Implemented / planned to be implemented measures - Salary

Q: What reward and benefit measures have been implemented as a result of the pandemic?



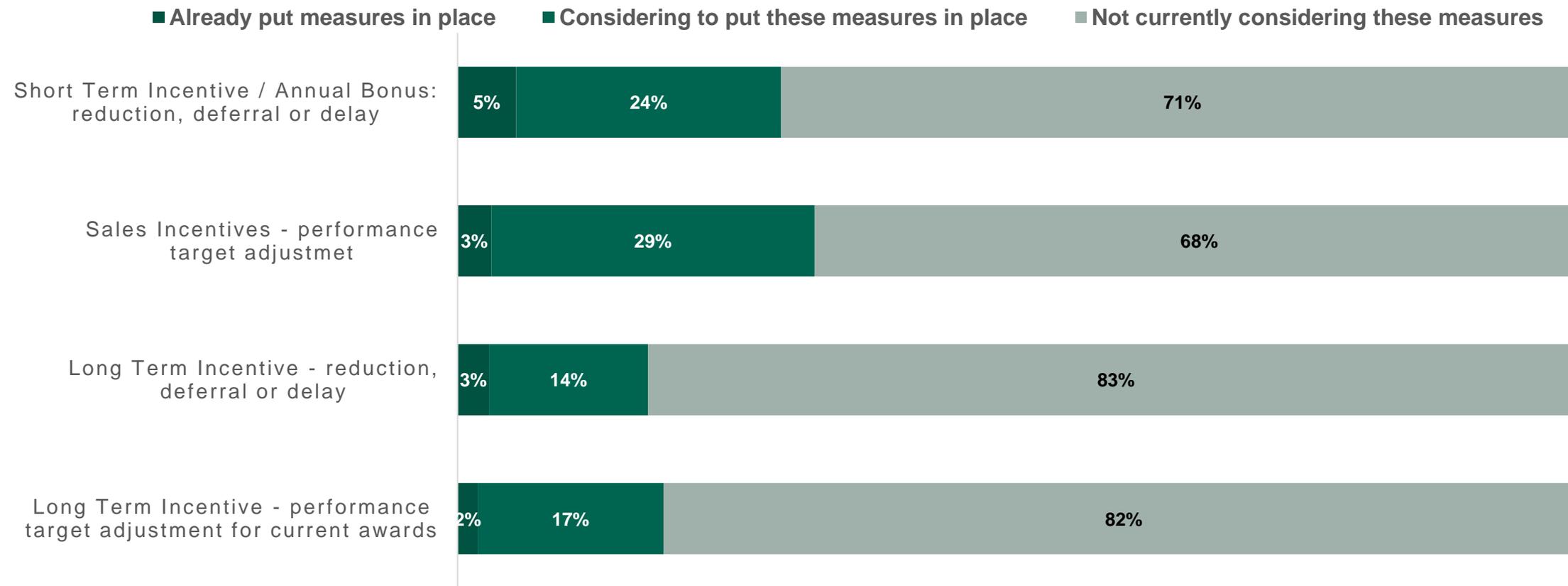
### KEY TAKEAWAYS

- 21% of participants have, or are considering, salary cuts.
- 33% of participants have frozen, or are considering freezing, salary increases.
- 33% have, or are considering, a deferral of annual merit increases.

# 3. REWARDS & BENEFITS

## 3.2. Implemented / planned to be implemented measures - Incentives

Q: What reward and benefit measures have been implemented as a result of the pandemic?



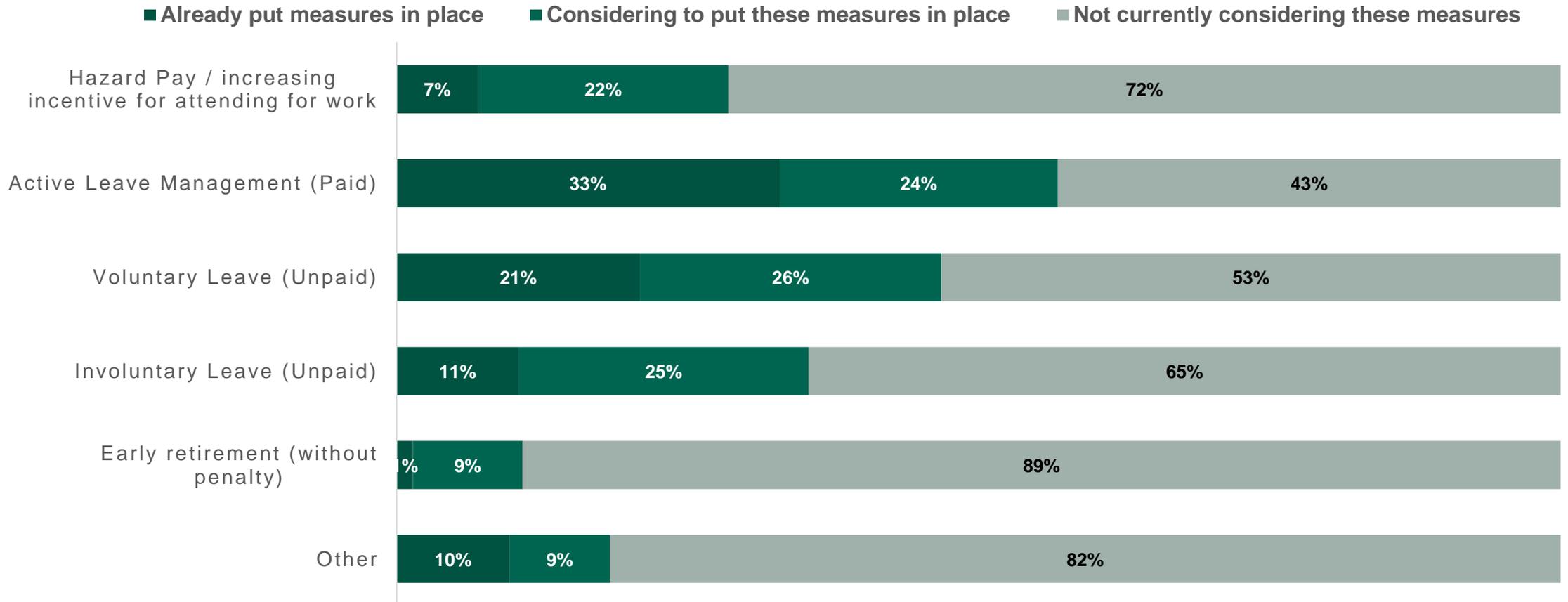
### KEY TAKEAWAYS

- About a third of survey participants are considering or have already taken actions on adjusting short-term incentives and sales incentives.
- Few organisations are planning or have already made adjustments to long-term incentives.

# 3. REWARDS & BENEFITS

## 3.2. Implemented / planned to be implemented measures – Benefits / Leave

Q: What reward and benefit measures have been implemented as a result of the pandemic?



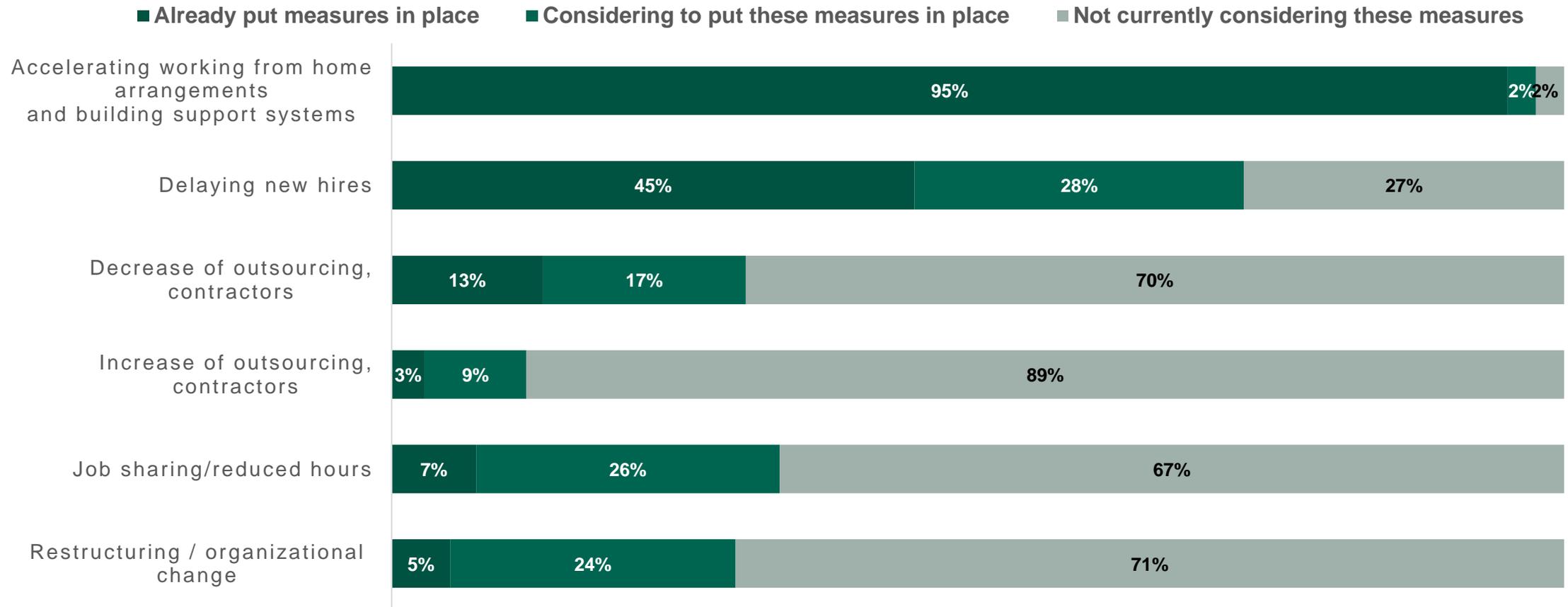
### KEY TAKEAWAYS

- Active leave management has been considered by 24% of organizations, while 33% have already put this measure in place.
- 21% of organizations have put unpaid voluntary leave in place, and a further 26% are considering it.
- Involuntary leave has been considered by 25% of organizations, while only 11% have taken such action.

# 4. WORKFORCE MANAGEMENT

## 4.1. Changes of hiring and working arrangements

Q: In the face of the impact of the pandemic, is the organization considering making any of the following adjustments?



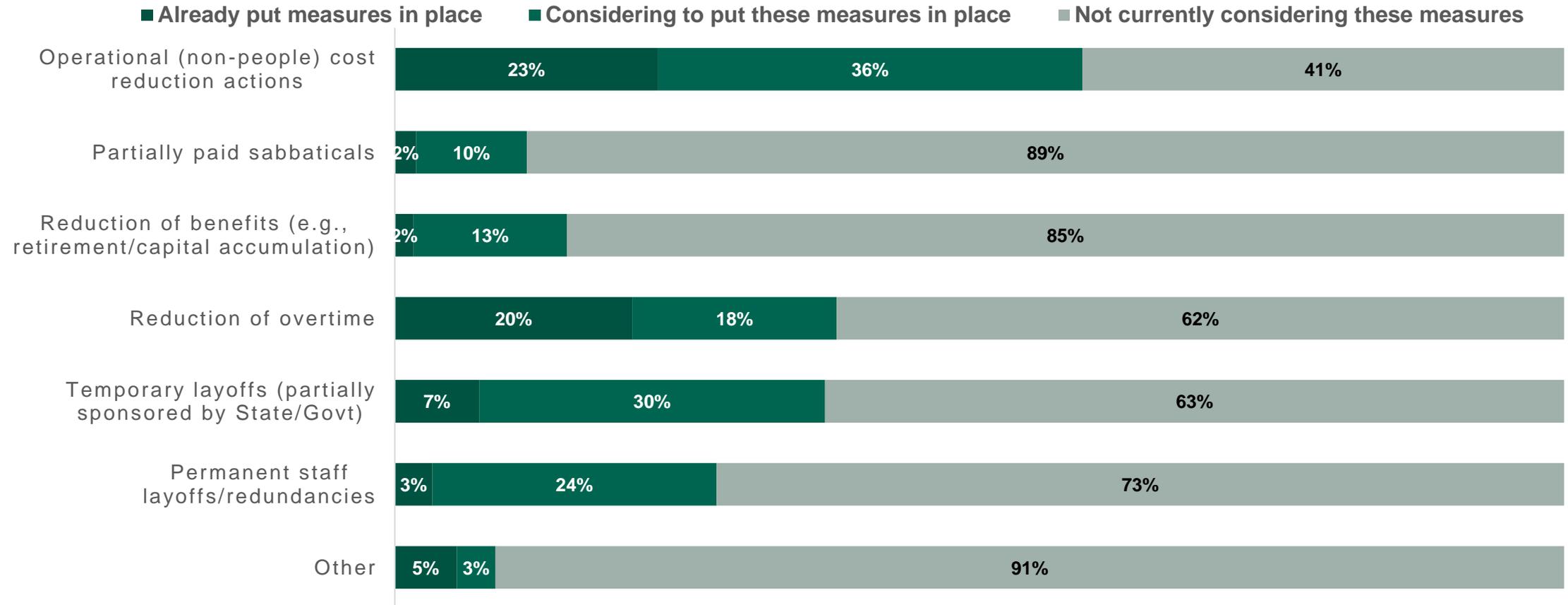
### KEY TAKEAWAYS

- 95% of organizations have already accelerated working from home arrangements and building support systems.
- 45% of organizations have already frozen hiring and a further 28% are considering it.

# 4. WORKFORCE MANAGEMENT

## 4.2. Cost reduction measures

Q: In the face of the impact of the pandemic, is the organization considering making any of the following adjustments?

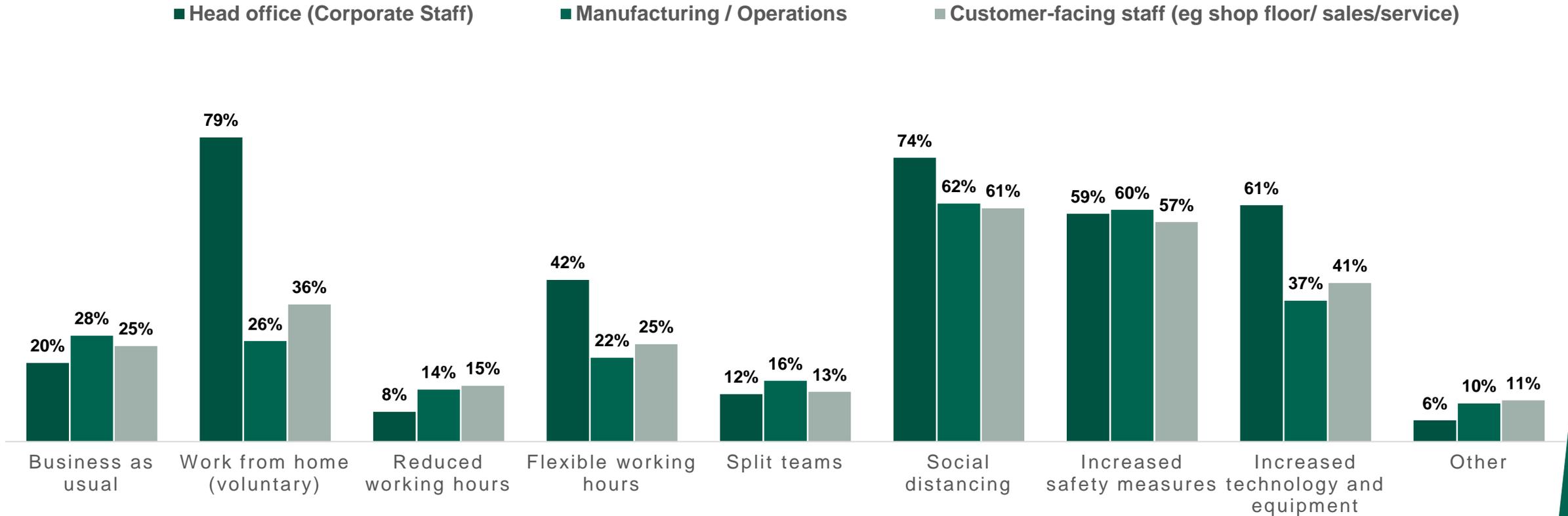


### KEY TAKEAWAYS

- 59% of organizations have implemented or are considering non-people related cost reduction actions.
- 38% of organizations have implemented or are considering reduction of overtime pay.
- 30% of organizations are considering cost reduction via temporary layoff or redundancy.
- 73% of organizations say they are not currently considering permanent staff layoffs or redundancies

# 5. WORKFORCE ACCOMMODATIONS

Q: What are some of the workforce accommodation practices you have enforced or are planning to enforce on return to work?



## KEY TAKEAWAYS

▪The top 4 accommodations that have been or will be enforced are voluntary work from home, social distancing, increased safety measures and increased technology.

# 6. HR CHALLENGES

Q: What is the biggest challenge for the HR department during this pandemic outbreak?



## KEY TAKEAWAYS

- Whether working from home or working at their usual locations, HR departments are facing very similar challenges.

# Leading through and beyond COVID-19.

Managing the challenges of this global pandemic requires innovation and agility amidst unprecedented uncertainty. As an organizational management consulting firm, Korn Ferry remains committed to helping our clients achieve success. In the coming weeks we will continue to share timely and helpful perspectives on important and emerging issues.

Here is a link to Korn Ferry briefings on [\*\*Leading Through and Beyond COVID-19\*\*](#) .

Within the above series there is a specific webcast called '[\*\*Employing agile reward strategies for a volatile world\*\*](#)' that covers workforce rewards, executive pay and salesforce incentives.

We will also continue to run further 'pulse' surveys in the coming weeks and months and look forward to your continued participation.

In the meantime feel free to contact us via your local Korn Ferry office or via [kornferry.com](http://kornferry.com)



# Contact us

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Mary Chua, [Mary.Chua@kornferry.com](mailto:Mary.Chua@kornferry.com)
- For specific technical questions about this survey please direct your email to [KornFerryPayServices@kornferry.com](mailto:KornFerryPayServices@kornferry.com) and we will find the appropriate person to reply

***THANK YOU***

