



Milwaukee Area Compensation Association

Virtual Roundtable – 9

Back to Work – Total Rewards

5.12.2020

Facilitated by Rena Somersan, MACA President and
Managing Principal for Newport Compensation
Consulting

Industries Most Impacted by COVID-19

BLS.gov & Joseph S. Vavra Becker Friedman Institute for Economics at the University of Chicago, March 31, 2020

1. Restaurants & Bars
2. Travel & Transportation
3. Entertainment (e.g., casinos, amusement parks)
4. Personal Services (e.g., dentists, daycare providers, barbers)
5. Other Sensitive Retail (e.g., department stores and car dealers)
6. Sensitive Manufacturing (e.g., aircraft and car manufacturing)



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retirement services

Which Industries are Thriving?

U.S. Chamber of Commerce, "15 Small Businesses Thriving During Coronavirus"

Some small businesses are uniquely suited to the COVID-19 crisis and have seen an uptick in demand:

- Cleaning services
- Delivery services
- Drive-in movie theaters
- Grocery stores
- Liquor and wine stores
- Meal prep delivery services
- Canned and jarred goods companies
- Game makers and sellers
- Fitness equipment companies
- Landscaping and yard care companies
- Bread-baking companies

- Coffee subscription companies
- Gardening suppliers
- Mask makers
- Telehealth services



A BLUE PRINT FOR THE UNEXPECTED

This year it's the coronavirus. Next time, and there will certainly be a next time, it could be an earthquake, recession, or something else unforeseen. Our advice on preparation.

1 EMPLOYEE SAFETY

SHORT-TERM ACTIONS	INTERMEDIATE ACTIONS	LONG-TERM ACTIONS
<ul style="list-style-type: none"> Adhere to local government and health officials' notices and directions Implement necessary restrictions on meetings, travel, etc. Identify remote-work options for individuals /teams Provide forums for Q&As with employees around safety measures 	<ul style="list-style-type: none"> Leverage surveys/ polling to gauge employees' views of management's response to their health and safety concerns Contribute to medical/ health efforts outside your organization Provide options for healthy employees to stay home to care for sick family members 	<ul style="list-style-type: none"> Evaluate the flexibility of sick-leave policies and align them with public health guidance Create policies to empower local leaders to respond to crises based on health/safety guidelines in their area Involve employees in developing/updating crises response plans, and then test them intermittently

2 TALENT/LEADERSHIP DEVELOPMENT

SHORT-TERM ACTIONS	INTERMEDIATE ACTIONS	LONG-TERM ACTIONS
<ul style="list-style-type: none"> Provide coaching to managers on crisis communications Pause group orientations and onboarding Organise training (virtual or in-person) on digital tools for remote work 	<ul style="list-style-type: none"> Develop structure and processes for virtual meetings Assess for fit, potential, and agility aligned to evolving operating and strategy models 	<ul style="list-style-type: none"> Identify managers/ leaders for specific crisis management roles Enhance training programs for hard and soft skills Ramp up recruiting as needed for critical roles

3 PERFORMANCE MANAGEMENT

SHORT-TERM ACTIONS

Focus on purpose to keep employees engaged and motivated

Consider hiring freezes, especially for nonessential positions, until there is more clarity around the business impact

Ensure employees are clear on whether previous or new goals are in place

INTERMEDIATE ACTIONS

Assess whether and how to adjust goals/targets for the year

Solicit feedback more frequently to help address emerging issues/barriers

Consider implementing off-cycle reviews aligned to short-term incentives

LONG-TERM ACTIONS

Train managers to focus on outcomes instead of face/ desk time

Evaluate the impact of grade/title inflation on performance

Determine if workforce needs to be right-sized

Consider changes to recognition programs that employees don't value

4 CORPORATE AFFAIRS

SHORT-TERM ACTIONS

Align messaging to avoid confusion/ contradictions

Plan for potential outcomes, from best-to worst-case scenarios

Update digital communications tools

Establish a regular and reliable cadence of communication from the CEO and senior team

Ensure employees are aware of their rights as related to sick pay and performance expectations during the crisis

INTERMEDIATE ACTIONS

Reassess and adapt messaging based on the latest data

Communicate moves to preserve profitability unrelated to head count

Develop messaging around a post-crisis path forward plan

Consider implementing reward measures for customers

LONG-TERM ACTIONS

Compare data on engagement levels before, during, and after the crisis, and create strategies to address times of decline

Assess areas for improvements

6 FINANCIAL MODELING

IMMEDIATE ACTIONS

Cut travel and entertainment costs in the short term

Consider ways to cut spending on materials if necessary

INTERMEDIATE ACTIONS

Consider diverting money from bonus pools to offset revenue losses

Adjust pay terms for outside vendors

Evaluate delaying product launches and office openings

LONG-TERM ACTIONS

Fine-tune cost structure

Cut unused employee benefit programs

Refocus investment strategy on main business goals and growth opportunities

5 COMPENSATION AND REWARDS

SHORT-TERM ACTIONS

Create short-term, team-based incentive rewards

Evaluate existing non-financial rewards that can be expanded to keep up engagement/morale

INTERMEDIATE ACTIONS

Develop retention plans for key talent

Adjust individual

performance incentives as conditions normalize

Consider crisis-related spot awards

LONG-TERM ACTIONS

Maintain awards for high performers

Enhance incentive designs based on learnings

Align reward investments with employee preferences

7 BUSINESS CONTINUITY

SHORT-TERM ACTIONS

Communicate with customers on impact and expectations

Create C-suite-sponsored cross-functional teams for key areas (e.g., sales/ marketing, supply chain)

Preserve operating capacity in the event demand returns to normal sooner than expected

Develop short-term performance benchmarks for operating teams and update them at least biweekly

INTERMEDIATE ACTIONS

Evaluate inventory for potential shortages

Identify supply chain alternatives; consider changes to distribution strategy

Increase digital initiatives and channel presence

LONG-TERM ACTIONS

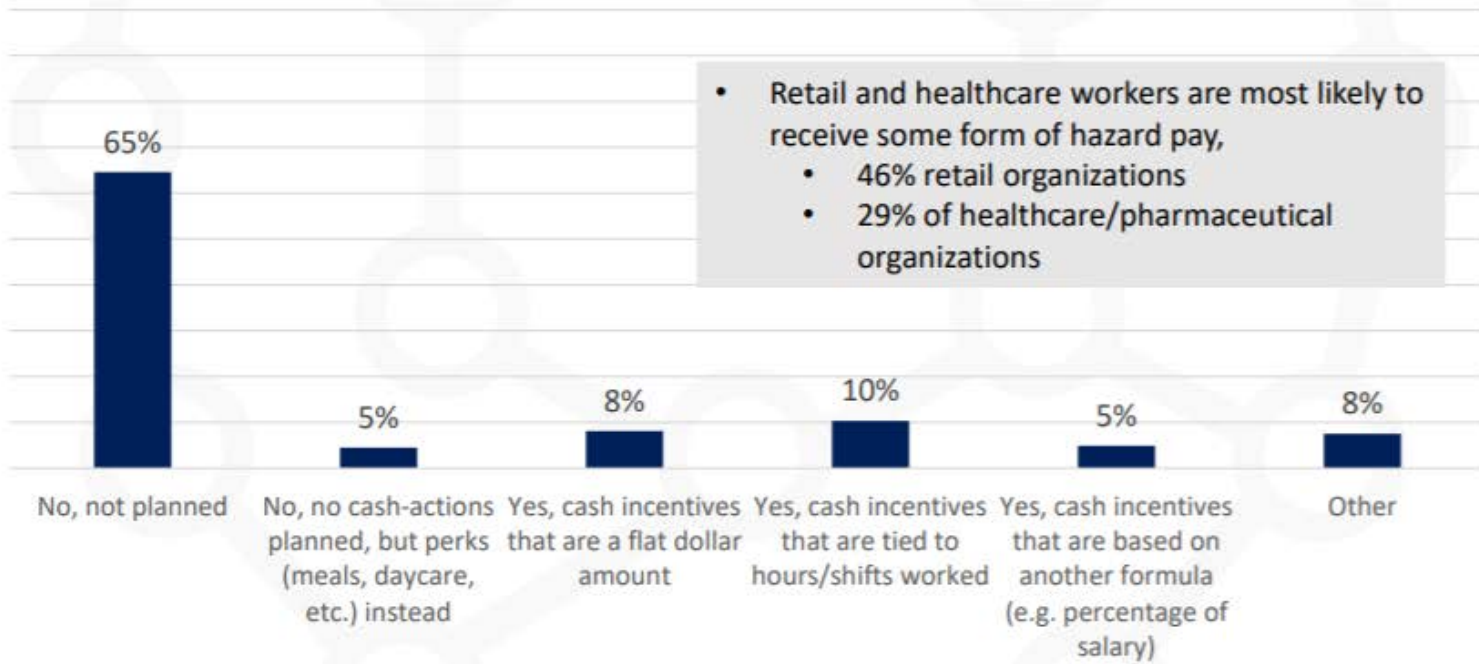
Consider changes to demand-forecasting processes

Create and secure contingency suppliers

Evaluate the need for more sources of contingency workers to secure on-duty crisis coverage

The majority of participating organizations do not have plans for additional hazard/battle pay

Is your organization planning incentives/spot bonuses (battle pay/hazard pay) for employees that are required to work on-site during the pandemic?



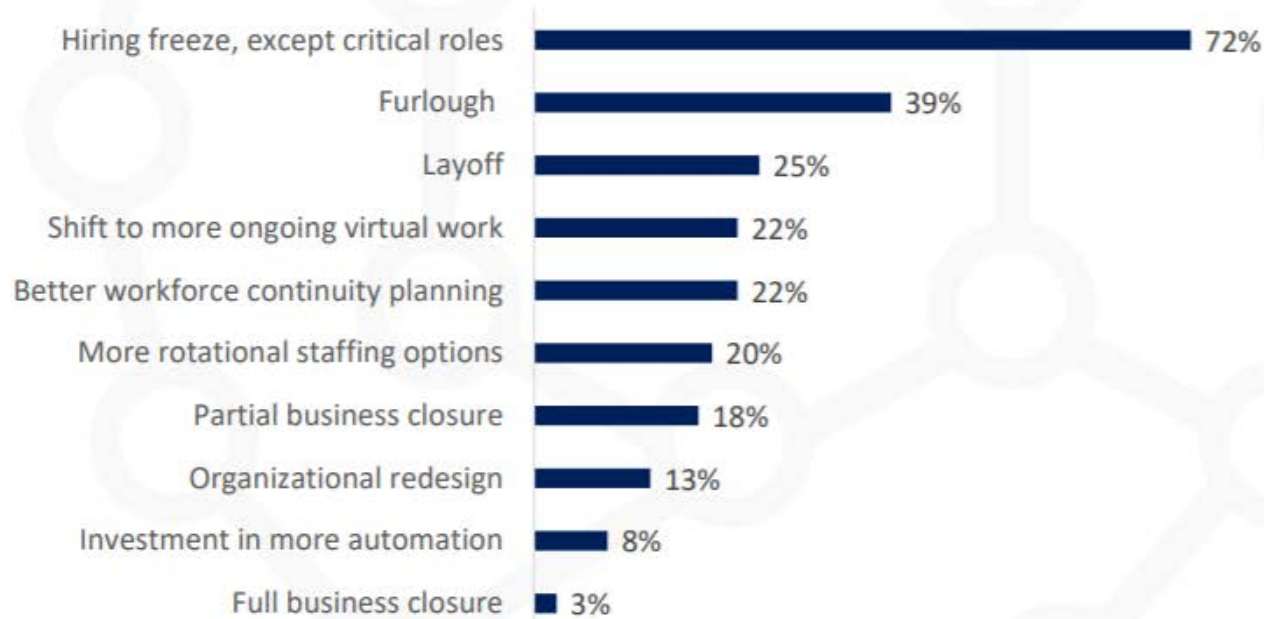
- Retail and healthcare workers are most likely to receive some form of hazard pay,
 - 46% retail organizations
 - 29% of healthcare/pharmaceutical organizations

n = 1,168



Over half of the organizations surveyed are already making changes to staff/operational hours

If your organization is planning any of the following, please tell us the initiatives you plan to implement. Please select all that apply.



n = 819



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Executive Compensation

In response to COVID-19, some top CEOs will forego base salaries. However, how will profitable companies reward executives? Will we see executive movement & retention issues?

General Electric

GE CEO and Chairman Larry Culp will give up his base salary for the remainder of 2020. David Joyce, vice chairman of GE and president and CEO of GE Aviation, will forego half of his salary. The decision takes effect on April 1.

Harley-Davidson CEO forgoes salary while other execs, salaried staff see pay cuts during COVID-19 pandemic

By Margaret Naczek / Like other major Wisconsin companies, motorcycle manufacturer Harley-Davidson announced salary reductions and other operating actions in response to the COVID-19 pandemic.

“Marriott International CEO Arne Sorenson said in a video message he would give up his salary for the rest of 2020.”

Cheesecake Factory

In response to the sharp decline in business, Cheesecake Factory CEO David Overton and other top executives are reducing their salaries by 20 percent, effective April 1, according to a regulatory filing.



Getting to the New Normal

Reinstating Compensation & Benefits Programs

WHAT ORGANIZATIONS PLAN TO DO DIFFERENTLY AFTER THE CRISIS



N = 3880 % Participant respondents

The vast majority of organizations expect significant changes to workforce management practices going forward.

Nearly two thirds of participants will continue to operate more virtually once the crisis is over.

47% of organizations feel they will be more disciplined about cost management once the crisis is over.

42% of organizations are committed to more open, transparent, and frequent two-way employee communication.

Geography : Global
Industry : All

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Deloitte's Workforce Strategies Article



Respond

How an organization deals with the present situation and manages continuity



Recover

How an organization learns and emerges stronger



Thrive

How an organization prepares for and shapes the "new normal"



Getting to the New Normal

How will you restore pay cuts?

- Restore after “back to normal”; date left open ended
- ~6 months



Getting to the New Normal

What will merit increase budgets look like?

- **With zeros and without zeros**
- **Postpone for 6 months**
- **For those that already did it, it's past. Possibly not going to do 2021**
- **We expect pay freezes in 2021, make up the losses**



Getting to the New Normal

How will you bring people back from layoffs?

- **Not many with layoffs on the call**
- **If reductions in workforce; strict workforce planning (location based) to bring back.**



Getting to the New Normal

How will benefits change?

- **Freeze PTO; liability going up – not being used. Contain cost here?**



Getting to the New Normal

How will you get people saving for retirement again?

- Reduce matches?
- Did employees stop deferring?



Miscellaneous

- **Hazard pay thru end of May; will it be done? Continue?**
- **When do employees come back to the office?**
- Newport – phased approach Red Yellow Green (yellow is optional)
- Versity (Jeana Nightingale) Contemplating going back to office end of May (maybe)
- Kohl's (Brian Scott) – Premiums for e-fulfillment and xx phasing out end of May
 - Survey to associates; phased approach; asked when ee would want to come back. Get a pulse. Tabulating now.
- MyPath (Abby Spoerl) – return to corporate offices pushed to end of June (50 people)
 - Direct support continued; implemented Hero Pay for when residents had coronavirus; Enhanced pay for special situations. Will be maintained until outbreak subsides.
 - Temp checks done by front desks
- Uline (Stephanie Schmieder) – business was strong; bringing employees back in phased approach. What are preferences and volunteer; cycled rotational approach, also testing for temperature at the entrances.
- MillerCoors (Valerie Zalewski) – repurposed guest relations team to do temperature checks



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BUSINESS CONTINUITY

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