

# Accelerating human capital strategies: Restoring stability amid COVID-19

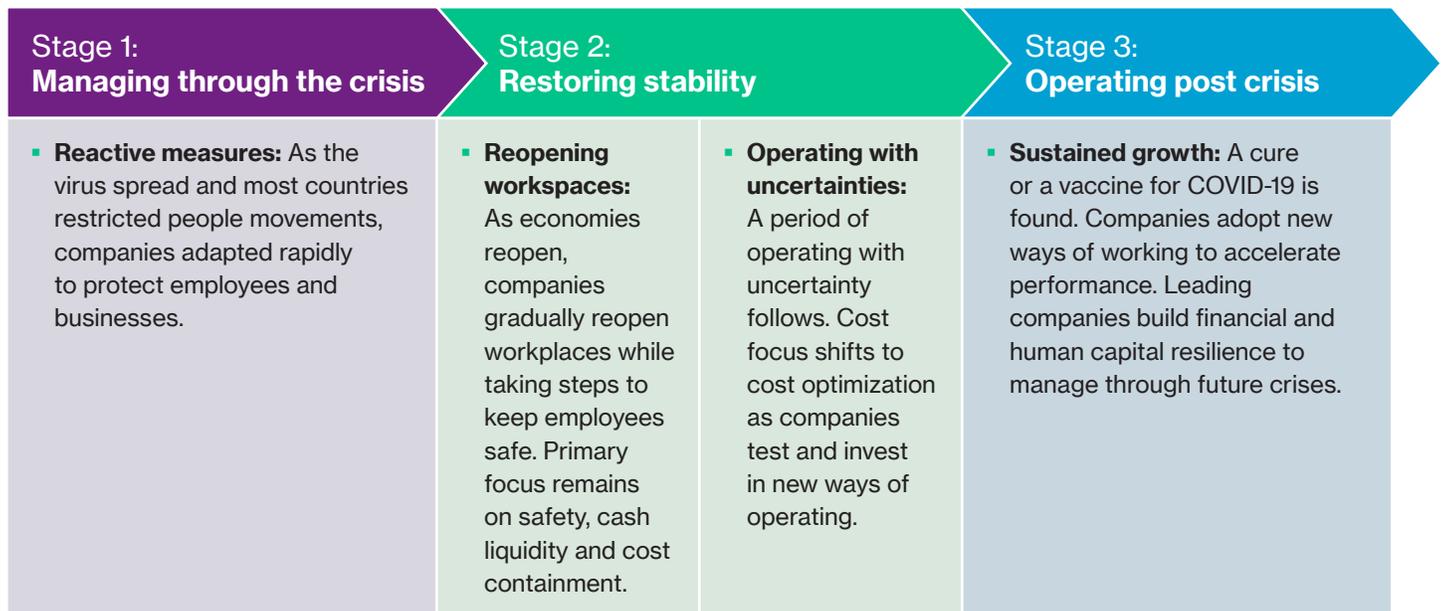
A perspective on COVID-19 and human capital

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The COVID-19 pandemic brought into sharp focus the impact of human capital on business performance and the global economy. As economies and workplaces around the world gradually reopen, leaders will need to: identify, prioritize and reimagine business critical work; address the health, safety and wellbeing of employees; and, balance cost containment with investing in growth.

The crisis precipitated by the pandemic can be divided into three stages:

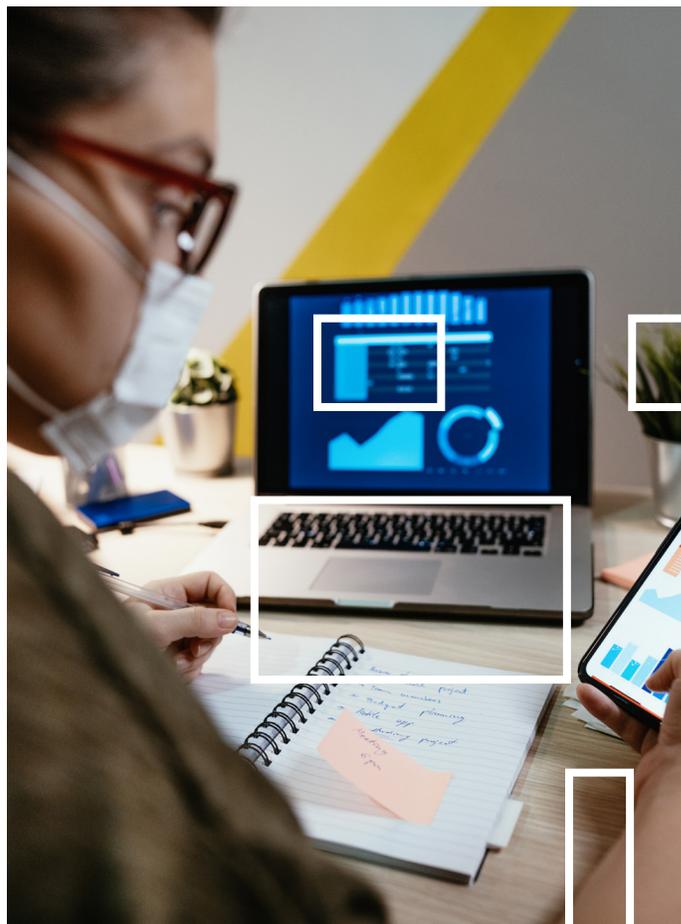


Reopening economies and workplaces alone will not restore stability. While certain **coping actions** companies take to protect their employees and businesses will likely be discontinued over time, **accelerating actions** could continue in some form as new ways of operating. Consider a simple example of a restaurant. Restrictions on seating capacity when reopening will gradually ease. However, stricter hygiene practices and sophisticated delivery and carry-out services could become permanent.

The same will be true for remote work practices. **Willis Towers Watson research** shows that the percentage of employees working remotely increased to 65% during the pandemic as compared to 11% before. While not everyone will be able to or want to work remotely for extended periods, early indications suggest that the post-crisis instance of permanent remote working could be around 30% – three times higher than pre-pandemic levels.

Here's a closer look at the three key areas for attention:

- Reimagining work
- Employee safety
- Cost optimization



## Reimagining work

The pandemic highlighted business continuity risks due to disruptions in movement of human capital, global supply chains, distribution channels and offshoring arrangements. Reconfiguring operations to avoid concentration of such risks will come at a cost. Companies will certainly remain focused on getting work done to meet demand as a short-term coping measure prior to societal immunity. However, they will also need to accelerate their investments in automation, digital transformation and new work practices to offset the cost of reconfiguring operations. What are the considerations to successfully design and adopt new ways of working while preserving human capital value?

### **Designing new ways of working**

#### **Coping action**

Continue remote and flexible work policies where possible to keep employees safe.

#### **Accelerating action**

Consider individual circumstances, preferences and job requirements to design remote or flexible arrangements. Test options for automation, digital tools, right-shoring, skills-based deployment and use of alternative talent. Invest in building digital talent and reskilling programs. Create high-performing employee experience to help employees engage and thrive.

### **Listen to employees**

#### **Coping action**

Apply employee feedback on concerns and needs related to remote working, flexibility, onsite safety and travel. Address special circumstances, fears and vulnerabilities.

#### **Accelerating action**

Employees' views on ways of working are unlikely to be static. Use agile listening strategies to collect frequent and longitudinal data on employee views, engagement, wellbeing and the effectiveness of new work design. Adjust work models to reflect the evolution of employee needs and preferences.

### **Support managers to lead through change**

#### **Coping action**

Seek managers' input when designing reopening policies and build manager tool kits to help them lead through change.

#### **Accelerating action**

Manager engagement will be critical for sustainable change in how work gets done using new models. Upskill managers to assess and drive performance, engage teams, and to listen to employees with empathy and understanding.

### **Align total reward with new ways of working**

#### **Coping action**

Identify, engage and reward critical talent and the salesforce as economies open to accelerate business performance.

#### **Accelerating action**

New ways of working will require rethinking how performance is measured (e.g., remote work output) and rewarded (e.g., employees working cross businesses under skills-based talent-sharing practices). Rethink approach and frequency of measuring performance and retain adequate flexibility in budgets for recognition programs and spot bonuses. Redesign and personalize reskilling pathways, benefits (e.g., benefits for contingent workers) and wellbeing programs (e.g., social wellbeing of remote workers).



## **Employee Safety**

The challenges of implementing onsite safety measures increase exponentially when companies reopen workplaces for non-essential workers before valid testing or vaccines are widely available. The spread of virus at work will expose employers to business disruption, litigation and reputational risks. In the new paradigm, companies will need to understand and address diverse and personal needs of employees.

### **Create safe work environments**

#### **Coping action**

Adopt appropriate measures such as self-attestation, testing, use of face masks, space configuration, staggered shifts, working on alternate dates and code of conduct to keep onsite work safe. Ensure adequate protection is provided for offsite assignments.

#### **Accelerating action**

Companies will need to rethink employee safety as ways of working change. In the case of remote working, for example, worker's compensation coverage may require safety policies and equipment. Conduct a comprehensive audit of existing safety measures and realign them with new ways of onsite, offsite and remote working. Hold leaders and managers accountable for safety and interventions.

### **Help employees navigate healthcare effectively**

#### **Coping action**

Ensure employees have access to coverage, care, tools and support to access healthcare networks. Revisit leave policies to minimize onsite health risks. Address the needs of at-risk segments such as those with disabilities and chronic conditions.

#### **Accelerating action**

Review healthcare and risk benefit programs to ensure choice and flexibility to meet diversity of coverage needs for employees and their families. Negotiate vendor services and implement technology for benefits enrolment, robust decision-making support and navigating healthcare networks to access appropriate care when needed.

## **Rethink wellbeing and benefits to build resilience**

### **Coping action**

Employees may experience safety concerns and stress as workplaces reopen. Lead with a compassionate wellbeing culture by providing supportive easy to source and implement programs including: employee assistance program (EAP) and onsite counselling programs, pulse check-ins, manager training for listening with empathy, and leave and other flexible work policies.

### **Accelerating action**

Accelerating actions: Uncertainty about the future will likely create emotional and financial stress, lead to suboptimal behaviors and affect performance. Implement agile listening strategies to understand employee concerns. Source and curate relevant emotional, physical, financial and social wellbeing programs. Redesign, integrate and personalize wellbeing and benefits to offer core protection, engage employees and build resilience. Support the needs of vulnerable segments.

## **Recommit to a culture of safety, inclusion and diversity**

### **Coping action**

Anxieties and fears may lead to bias, stigma and discrimination that will drag performance. Listen to employee concerns and issues, address physical and psychological safety needs, and protect vulnerable segments. Align leaders' and managers' messaging and behaviors.

### **Accelerating action**

Rethink culture and leadership to support employee experience that builds trust, inspiration, drive and growth. Recommit to a culture of employee safety, inclusion and diversity by coordinating: policies, listening strategies, managers' and leaders' education and support, and ongoing communications and outreach.



## **Cost optimization**

Most companies are focused on creating cash reserves and managing liquidity to navigate the uncertainties in business performance, economic growth, legislative landscapes, movements of people and consumer behaviors. These cost containment efforts will need to be balanced with investing in new and different ways of operating and working. Creating cost flexibility and actively managing costs will be key to allocating capital to human capital.

### ***Align labor costs with demand and new ways of working***

#### **Coping action**

Companies will continue cost control measures. As economies reopen, balance workforce costs with efficiencies gained from redesigning jobs, automation, digital platforms and use of alternate talent.

#### **Accelerating action**

Enhanced stakeholder alignment enables evaluation of options to increase cost flexibility and financial resilience. Test opportunities to reinvent jobs to optimize total cost of work. Build cost flexibility by reviewing: valuation of work, use of contingent talent, allocation between fixed and flexible rewards and benefit plan designs.

### ***Free up cash for investing in human capital***

#### **Coping action**

Companies already have adopted a range of measures to preserve cash. Align performance metrics, goals and compensation budgets with business outlook while continuing to budget for critical roles and talent, and salesforce.

#### **Accelerating action**

Fund investments in new ways of operating as well as in total rewards programs valued by employees. Conduct an audit of the portfolio, costs and utilization of total rewards programs to redesign or terminate programs. Optimize total rewards costs by aligning spend with changing employee values and needs. Reduce cost of operating programs by consolidating programs, vendors, technology solutions and automating processes.

### ***Avoid financial surprises***

#### **Coping action**

Avoid financial surprises by modeling and budgeting for short-term cost increases due to special recognition awards, payments of delayed bonuses, cost deferred medical care and defined benefit (DB) pension contributions.

#### **Accelerating action**

Rising costs of benefit programs such as medical and traditional DB pensions tie up much needed capital. To manage pressures on total compensation budgets, implement active measures to manage medical costs and de-risk DB pension plans.

### ***Manage stakeholder expectations***

#### **Coping action**

Carefully communicate rationales for major cost management decisions to manage perceptions of employees, customers and shareholders.

#### **Accelerating action**

Implementing cost/risk management decisions require collaborations/negotiations with business and functional leaders, labor representatives and regulators. Establish governance protocols with guidelines, allocated roles and responsibilities and approval protocols to execute decisions.

## The great integrator

The above demonstrates the interdependence and complexities of managing decisions to accelerate business performance while operating with significant uncertainties. It also underscores the need for establishing governance protocols across all programs for strategic and operational collaboration so that companies can free up capital to invest in new ways of working and building human capital resilience.

The table below highlights how such actions have and will evolve as companies continue to navigate the COVID-19

crisis, prepare for operating with uncertainties and eventually return to delivering value to their customers, shareholders and employees in a post-pandemic world.

The post-COVID-19 world will be marked by new ways of working, employee safety and wellbeing, and effective cost containment and investment. Prior to then, as organizations look to restore stability and operate after the health and economic crises subside, they can use the coping and accelerating actions above to forge a balanced path to human capital sustainability and long-term success.

Areas of action	Operating pre-pandemic	Stage 1: managing through crisis	Stage 2: restoring stability		Stage 3: operating post crisis
	Business as usual	Reactive measures	Reopening workspaces	Operating with uncertainties	Sustained growth
<b>Remote working</b>	11%	65%	50% (illustrative estimate)		30% (illustrative estimate)
<b>Automation</b>	Gradually trending	Scaling technology for volume increase	Investment in digital platforms	Exploring and testing use of automation in work	Implementation of automation/digitization strategy
<b>Job design</b>	Traditional	Remote working except essential workers	Prioritization of on-site/off-site work	Reinvent jobs with alternative work sources	Skill-based deployment of talent
<b>Capital optimization</b>	By program	Cash preservation and liquidity	Cash budgeting to navigate uncertainty	Investing in critical talent and programs (e.g. reskilling)	Cost optimization across all human capital programs
<b>Pay</b>	Performance based	Temporary adjustments to fixed and variable pay	Alignment of performance metrics with demand/outlook	Recalibration of variable and pay increases	Rewards redesign to align with new ways of working
<b>Health</b>	Management of costs, health outcomes	Pandemic coverage and support	Ongoing coverage and support	Budgeting and managing cost increase	Optimized financing; active management of medical costs
<b>Retirement</b>	Defined contribution (DC) for new hires, pension de-risking	Deferred contributions	Measuring financial stress across workforce	Modeling impact of cash, P&L, balance sheet volatility	Efficient DC, DB de-risking and risk transfer
<b>Wellbeing</b>	Varied and discrete focus	Physical and emotional wellbeing	Physical safety and emotional wellbeing	Emotional and financial wellbeing	Comprehensive approach to build resilience
<b>Employee experience (EX) and culture</b>	Inclusions and diversity; striving for high-performing EX	Protection and safety	Employee listening, manager training, protection from stigma and discrimination	Promotion of safety, inclusion and diversity	High-performing EX; culture of safety, inclusion and dignity



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