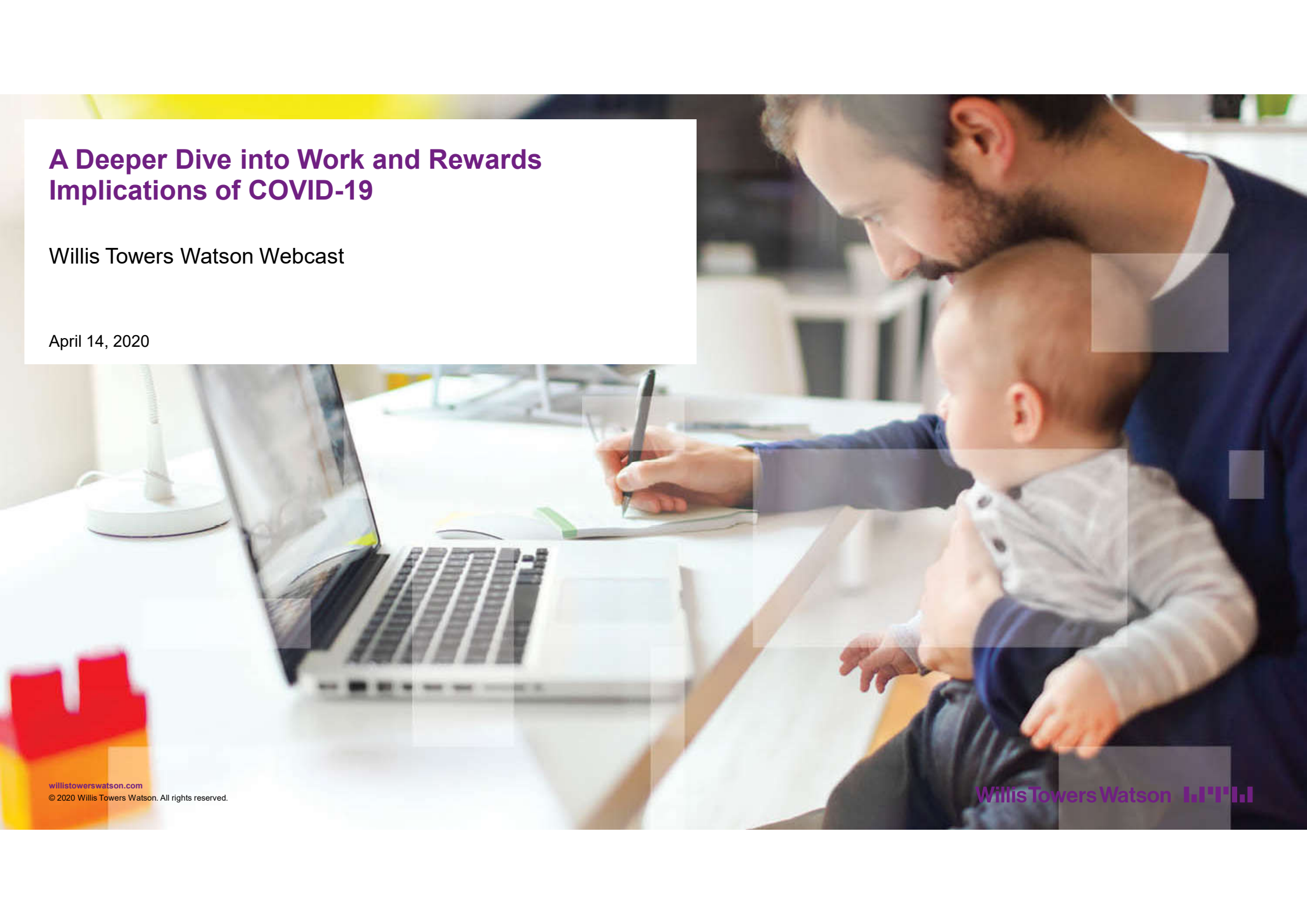


A Deeper Dive into Work and Rewards Implications of COVID-19

Willis Towers Watson Webcast

April 14, 2020



Today's presenters



Ravin Jesuthasan

Work & Rewards



Alex Weisgerber

Rewards



Josephine Gartrell

Executive Compensation



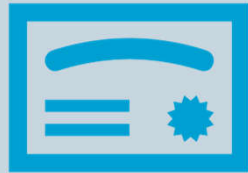
Tracey Malcolm

Talent

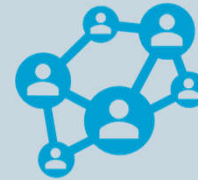
Today's discussion



Principles



Rewards Priorities



Managing Work



Questions and
Answers

Leaders are grappling with the following challenges



Containing costs



Responding with agility to massive changes in demand



Reducing risk and ensuring business continuity



Virtualizing work



Ensuring humane, fair, and compassionate approaches to managing the workforce

We believe there are five key principles for shaping an effective course of action



We suggest the following objectives for managing work and rewards

Tactical



- Ensure protection for employees impacted by mandated closures and those in self-isolation and quarantine
- Isolate work challenges to solve based on risk, cost, performance needs (e.g., independent vs interactive work)
- Recognize and reward where it's possible and needed most
- Share and apply insights about work and reward impacts and solutions





Strategic



- Identify business focus areas and required work acceleration/deceleration areas
- Review work and reward strategy in light of changes in organization strategy
- Reconnect with employees to understand what they value in the new environment
- Optimize spend on rewards

Evolving market response: Pay priorities

Employers are increasingly taking actions that impact pay; others continue to evaluate options

Action	Prevalence (Taken/Planned)	2-Week Trend (3/23 – 4/6)
 Offering additional pay premiums for employees that must be physically present	25%	+11%
 Reducing salaries	17%	+10%
 Reducing or delaying merit increases	26%	+9%
 Freezing salaries	19%	+8%
 Reducing Board of Directors compensation	10%	+7%







Source: Willis Towers Watson Surveys - 2020 Cost Containment and Premium Pay Considerations, 2020 Managing Cost & Pay Practices

Context should inform design response

Work and Rewards Tactics	Effects of the crisis			
	Closed facilities	Facilities in high demand	Shutdowns / slowdowns in supply chain	Low cash reserves, debt obligations
Pay for time not working	■		■	■
Deferred pay	■		■	■
Premium pay		■		
Redeployment/reskilling	■	■	■	
Commuting, childcare and remote-working subsidies		■		
Spot awards, recognition and/or retention bonus		■		■
Temporary assignment pay		■		■
Adjustments to incentive design	■	■	■	■
Introduction of interim incentive programs	■	■	■	■
Merit increase budget adjustment	■		■	■
Compensation budget modeling	■		■	■

Implications for short-term incentive compensation

- The majority of employers are taking a wait-and-see approach relative to adjusting incentive plan design
- Some have taken action, including:
 - Planning to use discretion
 - Adjusting goals or delaying goal setting
 - Providing guarantees (sales)
- Most are evaluating options and/or planning action, considering the required balance between “motivate and engage” vs. “manage cost and rebalance the deal.” Relevant factors are:
 - Financial impact
 - Social considerations
 - Competitive landscape
 - Historical practice
 - Motivational impact
- Adjustments will need to take into account potential constraints, including: CARES Act, 162(m), 409A, disclosures, etc.

Likelihood of bonus payout	Advice	Potential actions for annual incentives
Still viable 	Be patient 	<ul style="list-style-type: none"> ▪ Develop contingency plans ▪ Evaluate impact of adjustments
Remote 	Be nimble 	<ul style="list-style-type: none"> ▪ Consider reducing the threshold ▪ Consider use of discretion
Virtually nil 	Be creative 	<ul style="list-style-type: none"> ▪ Consider split performance year ▪ Assess other metrics ▪ Consider discretionary plan ▪ Discuss alternatives with stakeholders

Source: Willis Towers Watson 2020 COVID-19 Survey: Implications for 2020 Incentive Plans & Sales Compensation

Treatment of executive compensation will evolve as understanding of economic impact improves

Guidance

- Take a long-term perspective
- Balance alignment between stakeholders and executives
- Consider the symmetry of business impacts
- Maintain your underlying compensation philosophy
- Focus on a holistic approach and materiality

Market activity to date

- Fixed compensation – Reductions mostly follow economic impact
- Performance-based LTI – Limited action; focus on adjusting goals or planning to utilize discretion
- In-flight LTI – Expect some discretion after weighing stakeholder reaction and accounting implications

Actions to consider

- Proactively and effectively communicate and engage with all stakeholders to manage optics of executive rewards
- Monitor COVID-19 specific guidance from major investors and proxy advisors
- Understand limits on executive pay associated with CARES Act loan decisions

Companies need to design a program that is customized to balance their business needs with their workforce needs as it relates to pay, cost containment and benefits



Type of Furlough



Impacted Population



Duration of Furlough



Pay Impact



Benefits

CARES Act







- Additional **\$600** weekly benefit up to **July 31, 2020**
- Extends unemployment coverage by **13 weeks**
- Employees must first be eligible for state unemployment benefits

Actions to consider

- Balance the need to **move quickly** with the need to **have all relevant stakeholders** involved in the design and implementation
- Model potential furlough/workshare scenarios to **understand impact on cost containment and employees**
- Monitor federal and state regulations
- Prepare necessary communications to **guide employees** through this pandemic

Evolving market response: Talent implications

Many organizations are contemplating action beyond hiring freezes

Action	Prevalence (Taken/Planned)	2-Week Trend (3/23 – 4/6)
 Freeze or reduce hiring	68%	+20%
 Implement involuntary unpaid leave or furlough	23%	+10%
 Eliminate or reduce hiring of seasonal workers	35%	+8%
 Reduce the use of contract workers or other non-employee populations	31%	+7%
 Offer voluntary unpaid leave of absence or furlough	20%	+6%
 Implement layoffs/workforce reductions	23%	+6%

Source: Willis Towers Watson Surveys - 2020 Cost Containment and Premium Pay Considerations, 2020 Managing Cost & Pay Practices

Using work redesign as a response to the COVID-19 crisis

Automate



Insurance company redesigning Customer Service job to increase use of automation for 15% productivity gain in call handling

Use Non-Traditional Talent



Energy distribution company identified 8% of Advisor work to be moved to freelance talent

Make Work Portable



Financial services company re-deploying reporting activities to central services and mobilizing agile teams for customer-focus

Shift the Where of Work



Utility company shifting field operations' data collection work to data center

Shift the When of Work



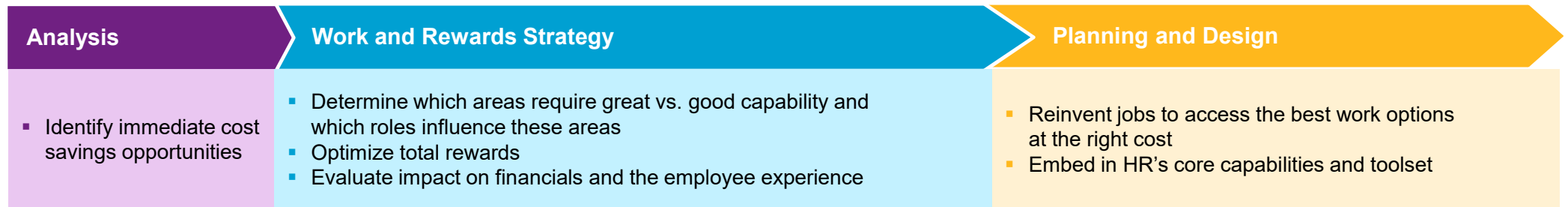
Technology company implemented new work schedules such as “same team shift-work” to minimize on-premise exposure risks

Borrow or Lend Talent

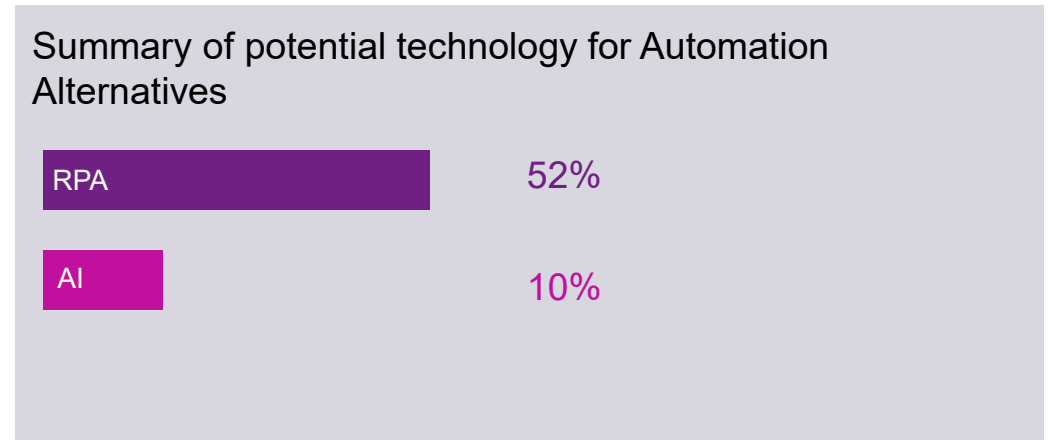
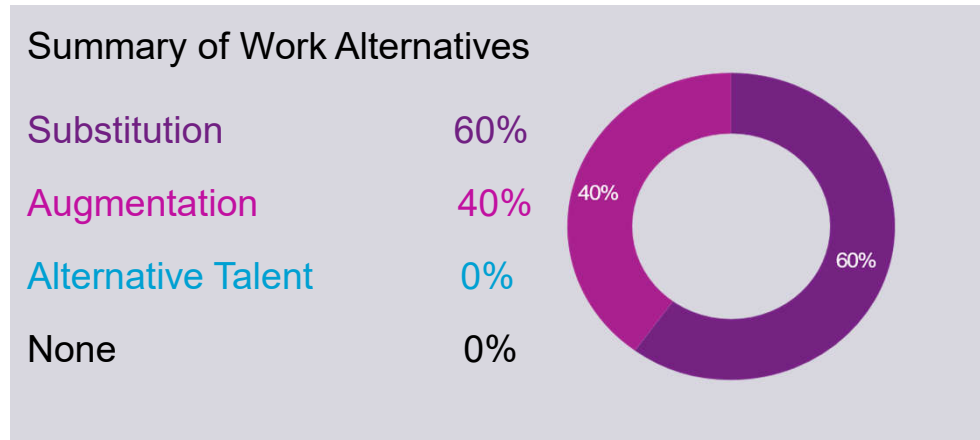
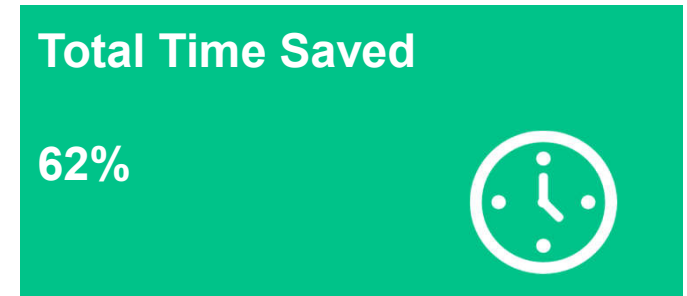
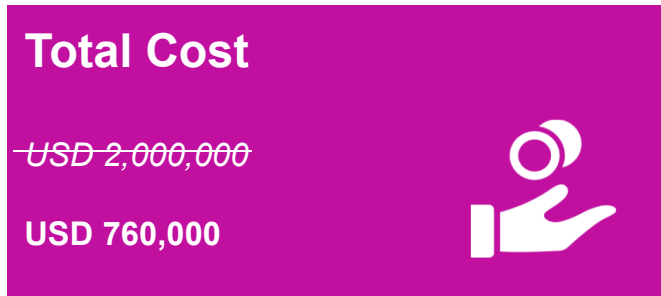


Airline baggage handlers moving to eCommerce logistics in talent exchange

Companies can reset and grow by deploying work to the right talent at the right cost



In action: Evaluate the agility and resilience that will sustain your organization

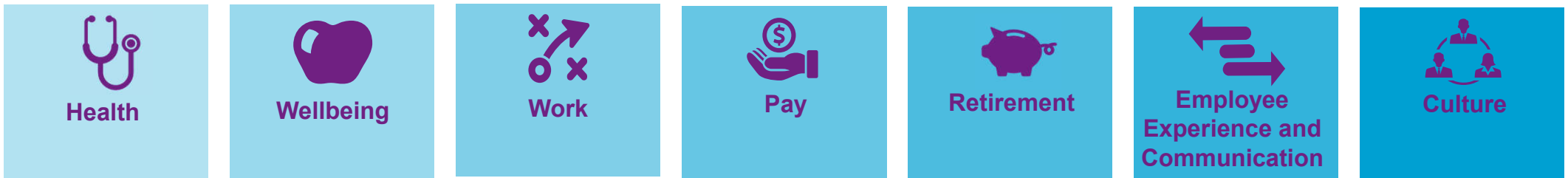
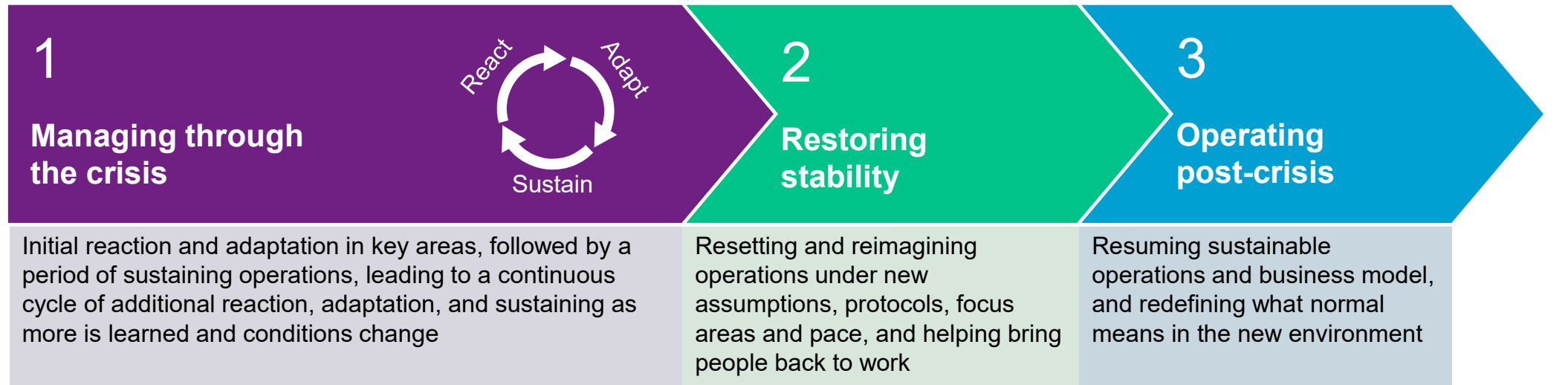


Source: WorkVue
Willis Towers Watson technology for reinventing jobs

Prepare for the journey forward

Key Stages of Action

There are three distinct phases for organizations and their leaders:



[Download Global crisis: Human capital road map from willistowerswatson.com](https://www.willistowerswatson.com)

Questions



Please join us to continue the conversation



April 22

Employee Experience

Listen to past events:

April 2: Workforce and Business Implications of the Coronavirus

April 7: Health and Welfare Programs

April 9: Retirement Programs

[Access past recordings and register for future events.](#)

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