

Impact of the coronavirus crisis on pay, bonuses and employee benefits

For the Reward and Employee Benefits Association



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REBA's 2nd snapshot survey
31 March to 6 April 2020

Introduction

The Reward & Employee Benefits Association (REBA) represents more than 2,000 HR professionals who are responsible for pay, benefits and wellbeing policies at medium to large UK businesses.

It conducted a snapshot survey between 31 March and 6 April 2020, to gain fast-track insight into decisions about pay and benefits being taken by employers in response to the huge economic impact of coronavirus and COVID-19 on UK and global businesses.

REBA received 213 responses to the survey from its members, including organisations such as the BBC, BP, Costa Coffee, easyJet, Ikea, Marks & Spencer, Santander and Wells Fargo.

In total, the businesses that responded to the survey represent around 1.3 million employees, across industry sectors including financial services, technology, retail and engineering. Eight out of ten (81%) respondents were from the private sector.

The week before the survey went into the field, the UK government launched its Coronavirus Job Retention Scheme (CJRS) on 26 March 2020. This temporary scheme allows businesses that cannot maintain their current workforce due to coronavirus to furlough employees and apply for a grant to cover up to 80% of their monthly wage costs, up to a maximum cap of £2,500 a month, plus associated employer National Insurance and minimum auto-enrolment employer pensions contributions.

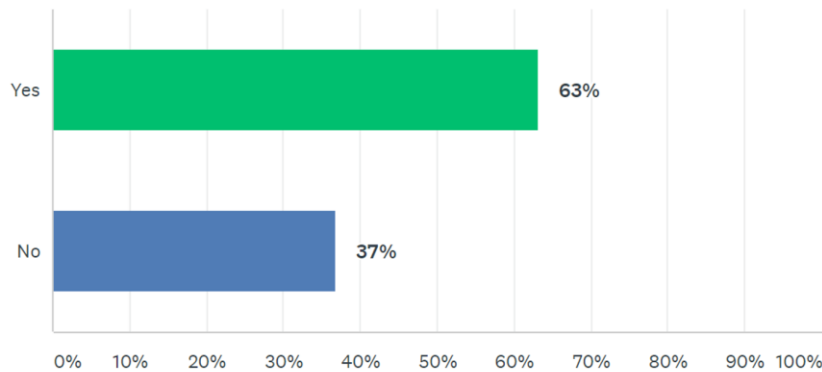
At the time of writing, many aspects of the CJRS are still being finalised, with regular updates from government being released to clarify different aspects of the scheme. REBA has been keeping track of these developments and supporting its members with running updates on its website, a series of webinars and through its peer-to-peer rebaLINK service.

This is REBA's second survey related to the pandemic crisis. The first was conducted between 17 and 19 March and is available for download from www.reba.global/research.

The Coronavirus Job Retention Scheme

Most respondents expect to access the CJRS for some or all of their employees.

Do you expect to make use of the UK Government's Coronavirus Job Retention Scheme (also known as the furlough leave scheme)?

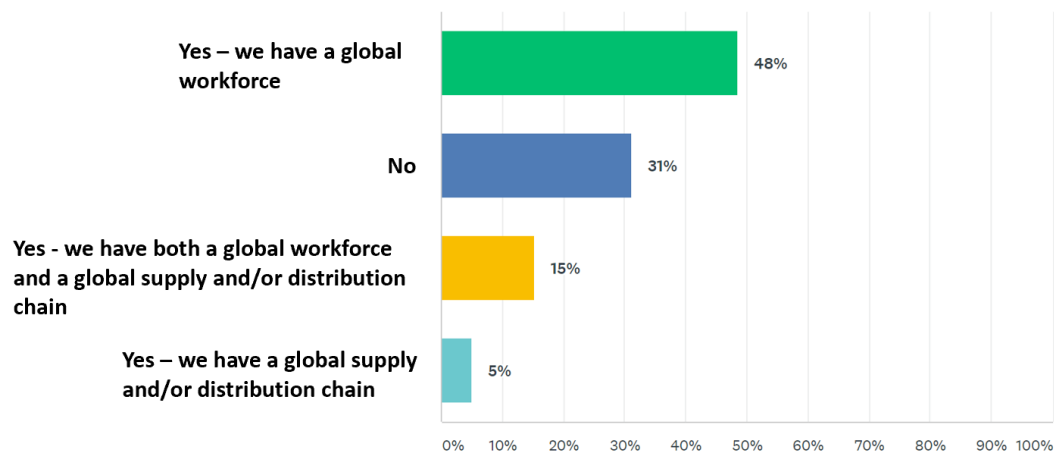


The vast majority of employers will use the scheme to furlough some of their employees, with 96% saying that they will apply the scheme for selected roles within the UK workforce and just 4% saying that they will use it for all of the workforce.

Global perspective

While the CJRS is providing some support for UK businesses, 49% of respondents said that the pandemic has also affected their wider global workforce.

Has your business been affected globally because of the COVID-19 pandemic?



Employers identified a number of key challenges, particularly around keeping up to date with the latest information both in the UK and globally, and the way that the pandemic has affected different countries:

- *“The impact on different countries at different times and the varying government responses”*
- *“Ensuring employees keep up to speed with the right communications as there are just so many different sources available on this situation”*
- *“Understanding the legislation that exists in each jurisdiction and the governmental support available.”*

Staff wellbeing is a particular priority:

- *“Looking after staff who are on the frontline”*
- *“Mental wellbeing of people going through lockdown”*
- *“To ensure all associates and their families are safe, extend all support required to them during this 'emergency period' and continue business as 'normal'.”*

Benefits spend

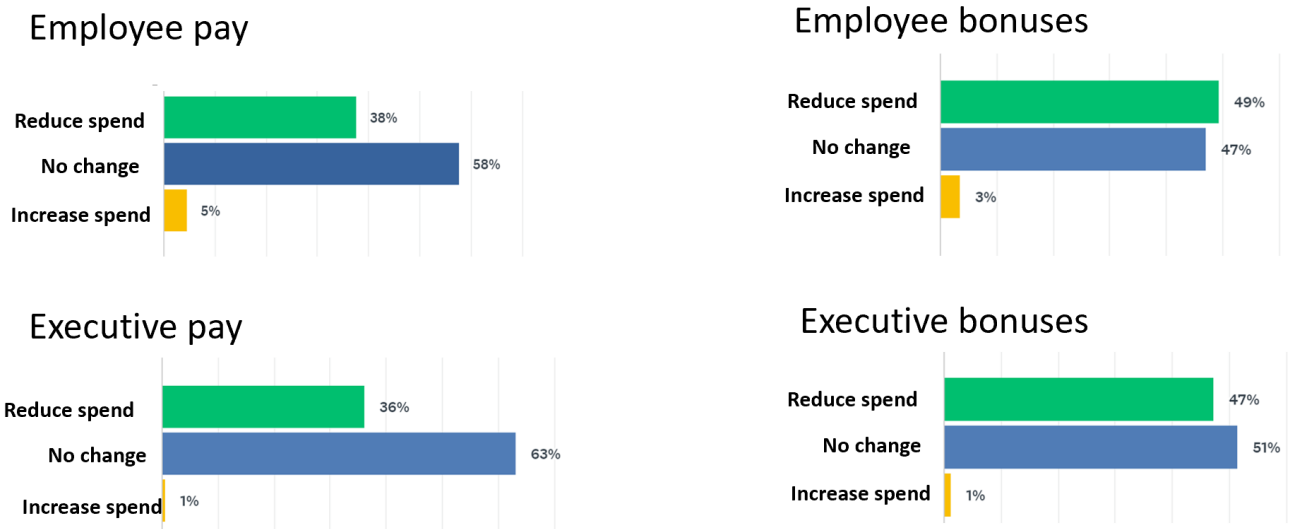
Benefits spend is holding steady in the crisis, and in some cases is even increasing, especially when related to wellbeing.

- **Insurance benefits** in particular remain constant, with employers saying that cover levels will remain the same for critical illness (99% say this will remain the same), group private medical insurance (91%) and group income protection (98%).
- **Employee assistance programmes (EAP)** are a high priority, with 25% saying that they will increase spending on their EAP and 74% intending to retain their current spend on this benefit.
- **Virtual GPs** have also seen a boost, with 13% saying they will increase spend on these services and a further 9% intending to introduce them for the first time, either as standalone benefits or as part of their insurer’s offering.

The current crisis will also have a significant effect on employees approaching retirement who may have seen the value of their savings affected. Five per cent of respondents said that they intend to increase the amount that they spend on support for this group of employees and 93% will retain the same level of spend.

Pay and bonus levels

However, employers do intend to make reductions to pay and bonuses both for the employee base as a whole and for executives.



Many of our respondents commented that they are still unsure how the current situation will affect pay and bonuses in the mid- to long-term:

- *“Our bonus payout and merit review cycles are effective November. Whilst I anticipate some impacts it is too early to confirm what these will be in practice”*
- *“We are currently reviewing pay in the light of the furlough scheme, it is still tbc”*
- *“Reductions are expected to be temporary – ideally in 2020 only.”*

Reward and benefits initiatives

We asked if respondents were planning to cancel or postpone any initiatives as a result of the pandemic. Although pay and bonus initiatives are under pressure, many employers are continuing with activity related to employee wellbeing in particular, echoing respondents' priorities for benefits spend.

Initiatives that will continue as expected (top responses)

- 63%** Continue to expand or introduce a wellbeing strategy
- 59%** Annual leave buy or sell
- 57%** Review of pension scheme
- 56%** Manage benefits selection window

In some instances, respondents even said they had brought forward wellbeing plans:

- *“We have increased some [initiatives] such as the expansion of wellbeing strategy and bought forward some of our flexible benefit choice windows”*
- *“We are considering expanding holiday buy options.”*

Activity around pay reviews and bonuses is more muted, however since the launch of the CJRS employers have felt more confident about progressing with pay reviews and awards:

Cancelled or postponed activity (top responses)

39% Pay review (7% cancelled, 32% postponed)

24% Payment of full executive bonuses (9% cancelled, 15% postponed)

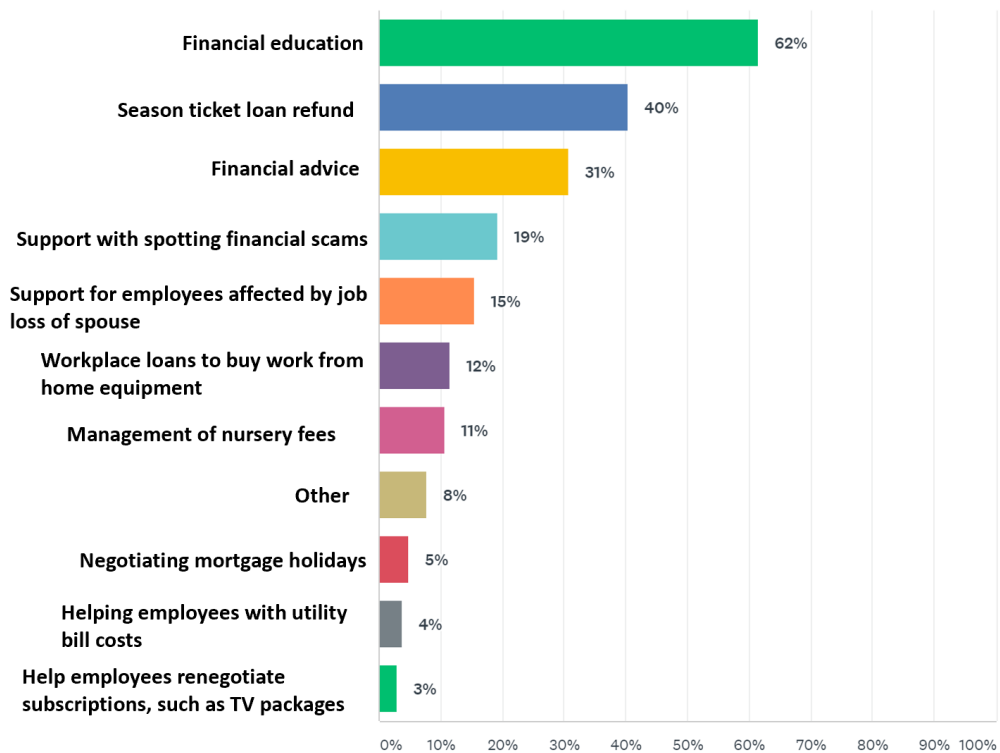
In our earlier survey, conducted between 17 and 19 March before the launch of the CJRS, 31% of respondents said that they were intending to cancel pay rises and 43% were intending to defer them. This suggests that the CJRS has succeeded in providing businesses with more short-term confidence about riding out the storm of the crisis.

Financial Wellbeing

Employers recognise that staff will be struggling financially at present. Many are looking carefully at what tactical financial wellbeing support they can offer to staff.

As well as more traditional forms of financial wellbeing, several employers also said that they are considering, or have already set up, a hardship fund for employees affected by the crisis.

Are you offering, or preparing to offer, support for staff using any of the following financial wellbeing tactics?

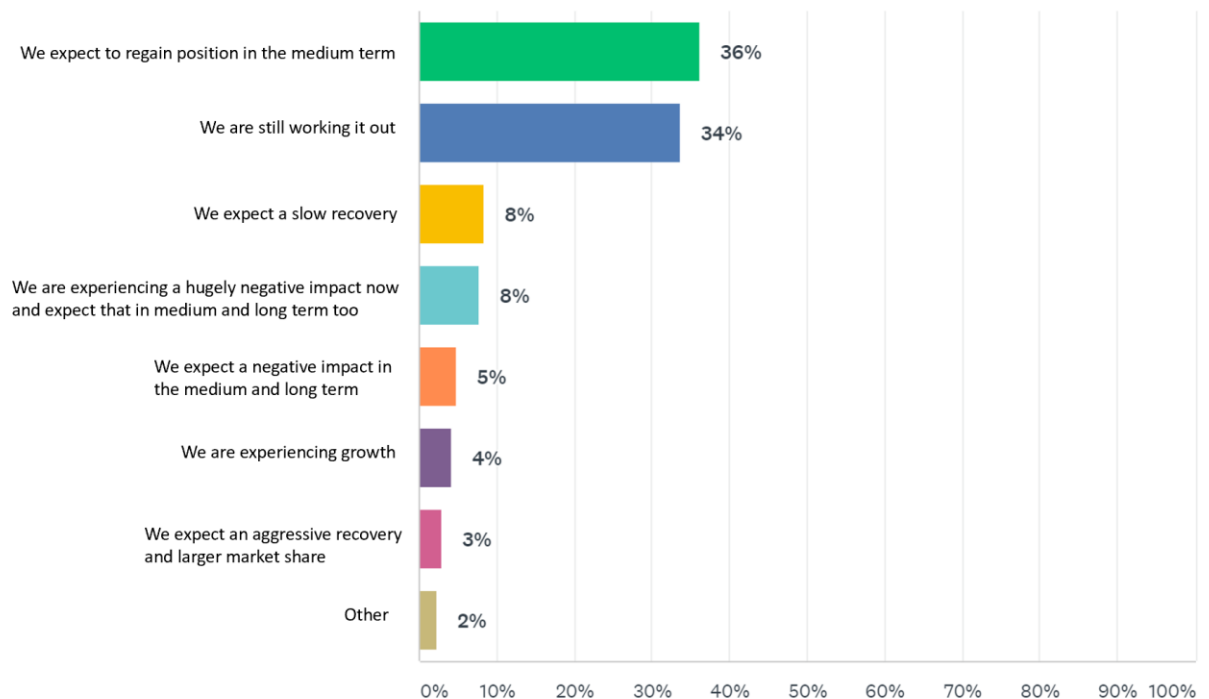


The long term business view

The majority of businesses that responded to the survey anticipate short- to medium-term disruption from the pandemic. However they are more optimistic about their long-term prospects. Some respondents said that impact had varied across different parts of the business, with some forms of income affected negatively, while other areas of the business had seen an increase in activity.

However, 5% said that they expect their whole business to be affected negatively in the medium and long term, and a further 8% are being negatively affected now with more bad news expected in the future.

Which statement best describes the impact of the COVID-19 pandemic on your business and its future sustainability?



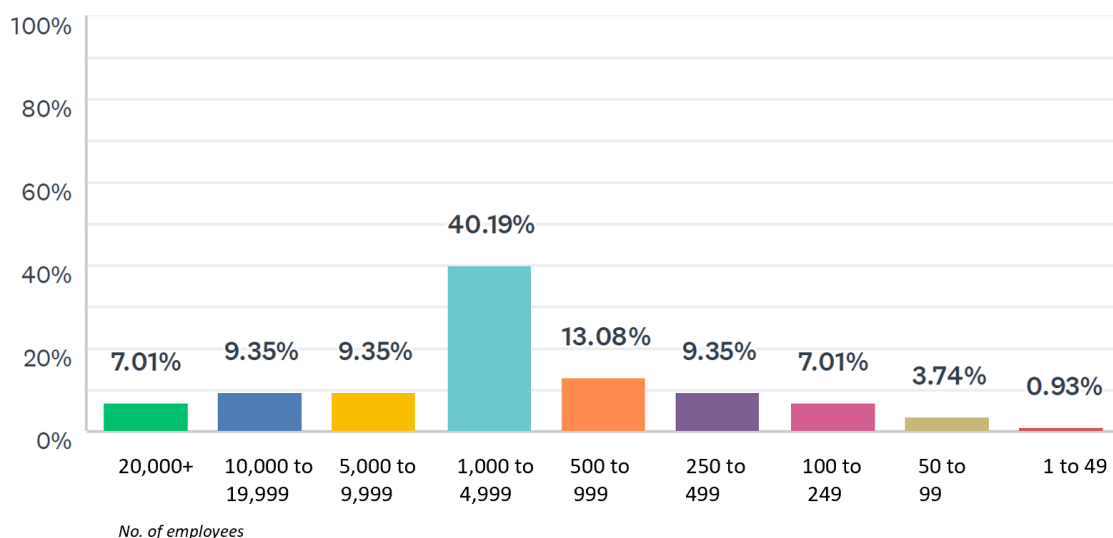
About the survey

This survey had 213 responses from employers representing roughly a collective total of 1.3 million workers and took place between 4pm on 31 March and 11am on 6 April 2020. It was conducted by the Reward & Employee Benefits Association among its 2,000 Professional Members.

Responses primarily represent medium to large workforces:

- 65% of responding businesses had more than 1,000 employees.
- 22% had 250-999 employees
- 81% are private sector employers

How many UK-based staff does your organisation employ?



REBA would like to thank its contributing members who took part

Aberdeen International Airport, Achilles Information, Aegon UK, Affinity Trust, Ageas, Airbnb, Allianz, Amazon, Anaplan, Arcadia, Arm, Ascential, AWE, BAM Nuttall, BBC, Beazley, Belmont UK, Birmingham City University, Black Swan Data, Blue Prism, Bombardier Transportation, BP, British Medical Journal, Browne Jacobson LLP, BSI, BT, Cabot Credit Management, Cambridge Assessment, Camelot, Care UK, CDK, Cervello, Charles Stanley, City & Guilds Group, City Plumbing, Coca-Cola, Commonwealth War Graves Commission, Computershare, Connect Group, CooperVision, Coople UK, Costa Coffee, Costain, Crown Agents, Cushman & Wakefield, Debenhams Retail, DE&S (MOD), DHL Supply Chain, Direct Line Group, DNV GL, Dog Trust, Donnington Grove Vets, Domestic & General, Doosan Babcock, Dunlem, easyJet, Edgewell Personal Care, Edwards Lifesciences, EHU, Encirc, Energy Saving Trust, ENGIE UK, Equifax, Experian, Exyte central Europe GmbH, EY LLP, FCC Environment, finastra, Foxtons, Games Workshop, Gap Partnership, Gattaca, GDS Gerald Eve LLP, GLH Hotel Management UK, GoDaddy, Gowling WLG, Grant Thornton, Greencore, Hasbro, Havas Media Group, HCA Healthcare UK, Hendy Group, Hilti Gt Britain, Honeywell, Horizon Discovery, Hymans Robertson, IHS Markit, IKEA, Imagination Technologies, innocent, Imperial Brands Enterprise Finance, ITN, JACOBS, Jaguar Land Rover, JLL, Johnson Matthey, Kao UK, Kellogg's, Kindred Group, Leidos, Lendlease, Low & Bonar, LV=, Maersk, Marks and Spencer, Mayer Brown International LLP, Mazara, McCain,

Mconnachie, Medallia, Midland Heart, Milton Keynes College, Molson Coors Brewing Company (UK), Mundipharma International, Nando's, National Grid, National Trust, Nationwide, Natwest Group, NewDay, Nottingham City Council, Novartis, NTT DATA UK, Odell, Office Depot, Ombudsman Services, Orange Business Service, Ordnance Survey OVO Energy, Penningtons Manches Cooper LLP, Personal Group, Post Office, Poundland & Dealz, QVC UK, R Twining & Company, Rathbones, Refinitiv, Resmed, Rexel UK, Rexnord Aerospace, Ricoh UK, Ringtons, Romero Insurance Brokers, Rotork, RSPCA , Rydon, Sage PM, Santander, Save the Children, Seagate, Shell International, Sky, Skyscanner, Speedy, Springernature, State Street, Stonegate Pub Company, Sunrise Senior Living, Systemiq Earth, Take-Two Interactive Software Europe, Taylor Wessing LLP, Teenage Cancer Trust, The Disabilities Trust, The Girl's Day School Trust, The Glenmorangie Company, The Riverside Group, The States of Guernsey, The University of Salford, The Walt Disney Company, Thesis, Three UK, Thomas Miller, Transport for London, Travis Perkins, UKRI, Unibail Rodamco Westfield, University of Leeds, University of Lincoln, UTB, Value Retail, Vertex, Victrex, VMware, Webhelp, Wellcome Trust, Wells Fargo, Western Ferries (Clyde), Wickes, Whitbread, William Grant & Sons, William Hill, Withersworldwide.com, WITTUR GmbH, Worley, WOLVES FC, Yorkshire Building Society, Zappar, Zurich Insurance



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