



Reward & Employee
Benefits Association

PURSUING BEST PRACTICE

Ways in which the coronavirus crisis is reshaping pay, bonus and employee benefits decisions

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REBA's 4th snapshot survey
25 June 2020

The logo for the Reward & Employee Benefits Association (REBA), featuring the lowercase letters 'reba' in a bold, dark blue font.

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www.reba.global/research

INTRODUCTION

Many employers have had to review their pay and bonuses strategies due to the largest impact on the economy since the two world wars. They have also had to adapt their employee benefits offerings to meet new demands of employees working from home, increased concerns about mental and social health, fears about physical health and safety.

By 14 June 2020, 1.1 million employers had made use of the Government's Coronavirus Job Retention Scheme (CJRS), submitting claims worth £20.8 billion covering 9.1 million jobs. However, beginning in July, the rules for the scheme will begin to change and will close completely on 31 October 2020.

REBA has been keeping track of these developments, as well as other updates around how the coronavirus lockdown will be lifted.

This is REBA's fourth survey related to the pandemic crisis. The first was conducted between 17 and 19 March; the second between 31 March and 6 April; and the third between 28 April and 5 May 2020. These are available to download from: www.reba.global/research

This survey covers:

- The impact of the Covid-19 crisis on
 - reward and benefits budgets
 - reward and benefits teams
 - pay
 - employee and executive bonuses
 - workplace pensions
 - Covid-19-related benefits
 - the usage of wellbeing benefits
 - the usage of insurance benefits
 - the usage of social wellbeing benefits
 - leave and holiday policies
- Use of the Coronavirus Job Retention Scheme

It conducted a snapshot survey between 9 June and 17 June 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 138 responses to the survey from its members, including organisations such as BT, Coca-Cola, Diageo, IHG, John Lewis Partnership, Kier Group, Manchester United Football Club, National Grid, National Trust, Ocado and TUI Group.

In total, the businesses that responded to the survey represent more than half a million employees, across industry sectors including financial services, technology, retail and engineering. Around four fifths (79.7%) of respondents were from the private sector.

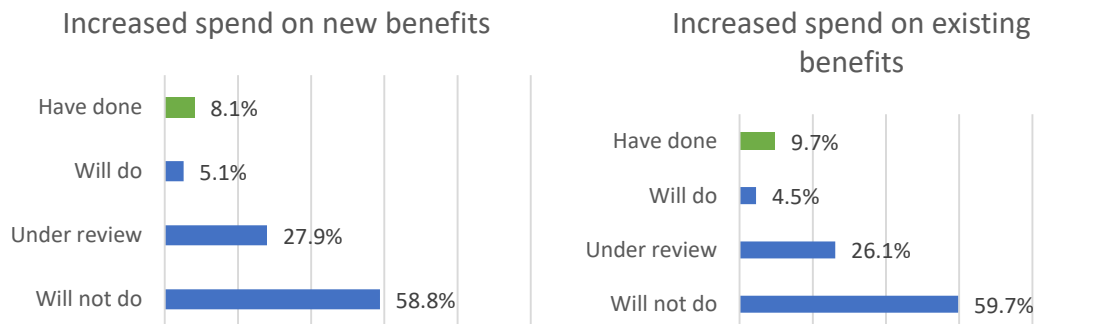
THE IMPACT OF THE COVID-19 CRISIS ON REWARD AND BENEFITS BUDGETS

Reward and benefits budgets have come under tighter scrutiny during the current crisis, as organisations look to cut costs wherever possible.

One in five (19.3%) respondents have audited the effectiveness and/or return-on-investment of their employee benefits package, with a similar percentage (20.0%) planning to do this in the near future. And one in five (18.2%) employers have made cuts to their reward and benefits budget in response to the Covid-19 crisis.

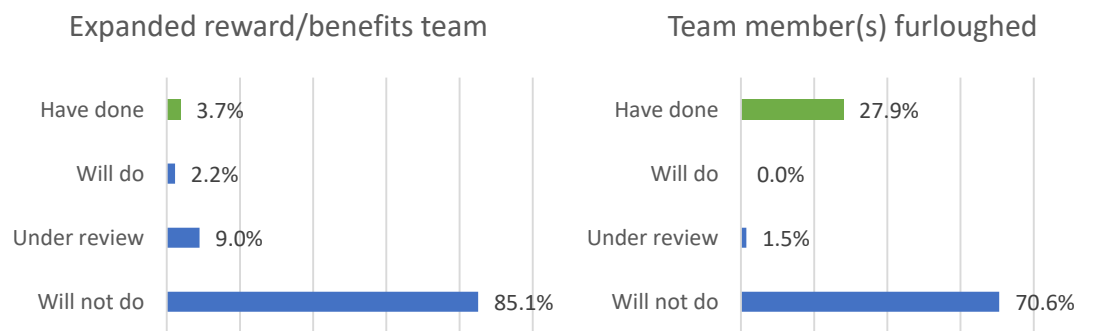


In contrast, almost one in ten respondents have increased their spending on new (8.1%) and existing (9.7%) benefits – presumably on those that are highly relevant right now, such as health and wellbeing-related items and services.

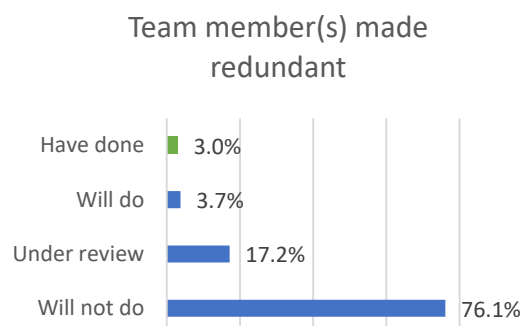


THE IMPACT OF THE COVID-19 CRISIS ON REWARD AND BENEFITS TEAMS

Just over a quarter (27.9%) of respondents have furloughed one or more members of their reward and benefits teams in response to the current crisis.



Only a very small number (3.0%) of employers have had to reward and benefits staff redundant, but almost one in five (17.2%) say redundancies in this department are currently under review.

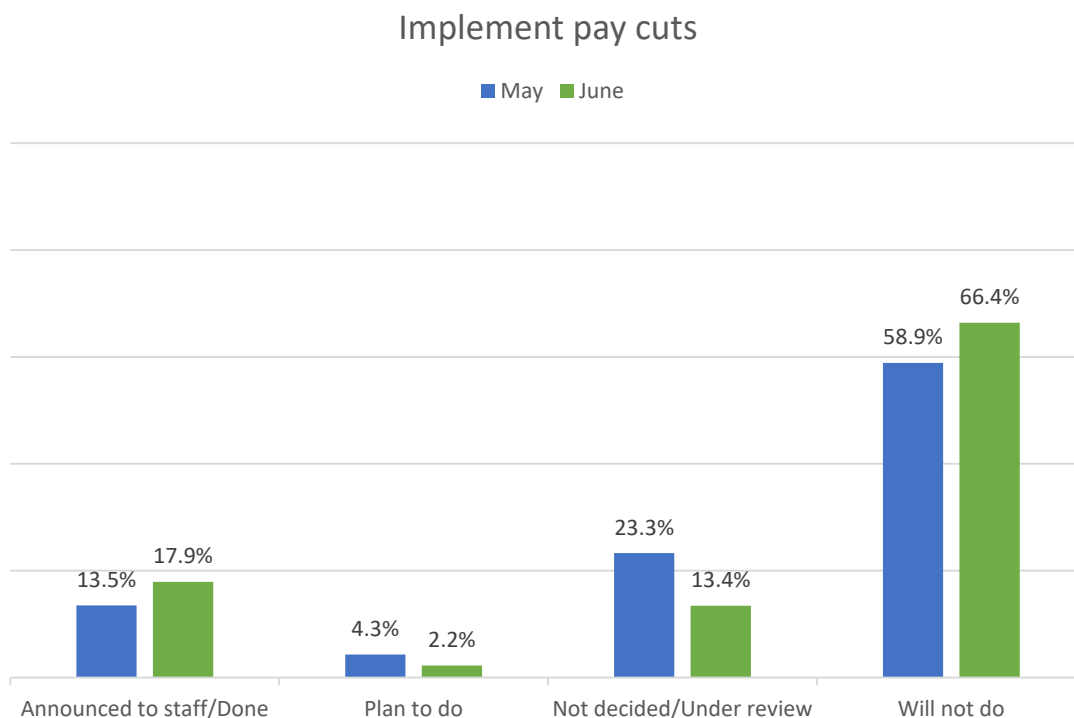


THE IMPACT OF THE COVID-19 CRISIS ON PAY

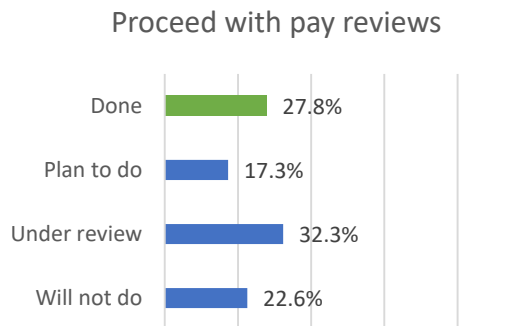
The Covid-19 pandemic has significantly impacted pay decisions in 2020, with almost one in five (17.9%) respondents implementing pay cuts in response to the current crisis. Many employers have firmed up their decisions on pay over the last month as the situation has developed and the new rules around the Coronavirus Job Retention Scheme have been revealed.

In our third survey, carried out in May, almost a quarter (23.3%) of respondents were still reviewing whether or not they needed to implement pay cuts, but this has now fallen to around one in eight (13.4%).

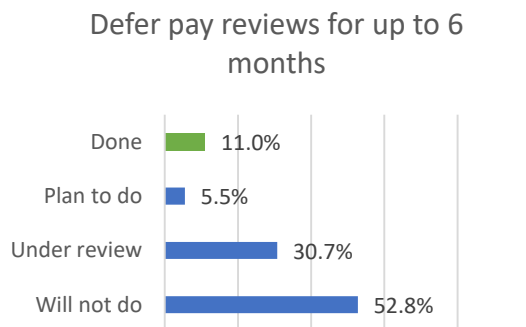
There has also been a rise in the percentage of employers ruling out pay cuts – from almost four fifths (58.9%) in May to two thirds (66.4%) this month.



Many employers are also weighing up how best to manage their annual pay review process. Almost a quarter (22.6%) of respondents have opted not to proceed with their reviews, and a further third (32.2%) are still reviewing this.



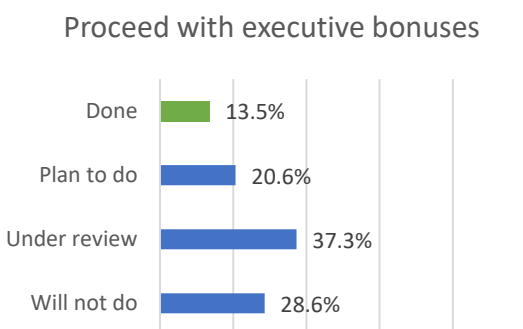
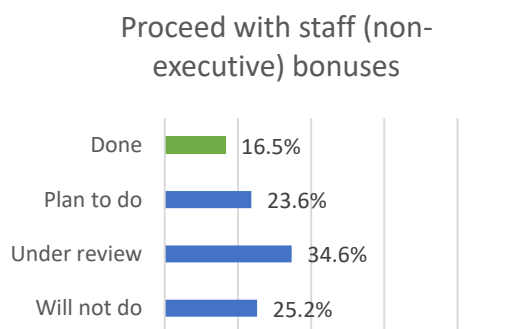
Where pay reviews have been deferred, around one in six (16.5%) employers have delayed – or are planning to delay – by up to six months and one in ten (10.7%) have opted to wait six months or more.



THE IMPACT OF THE COVID-19 CRISIS ON EMPLOYEE AND EXECUTIVE BONUSES

Employers have responded in very different ways when it comes to all-employee bonus schemes. While one in six (16.5%) respondents have decided to pay bonuses to non-executive staff as normal, a quarter (25.2%) have chosen not to proceed and just over a third (34.6%) are still reviewing what to do here.

The picture for executive bonuses is equally mixed, with around one in eight (13.5%) respondents choosing to proceed but well over a quarter (28.6%) opting to cancel.

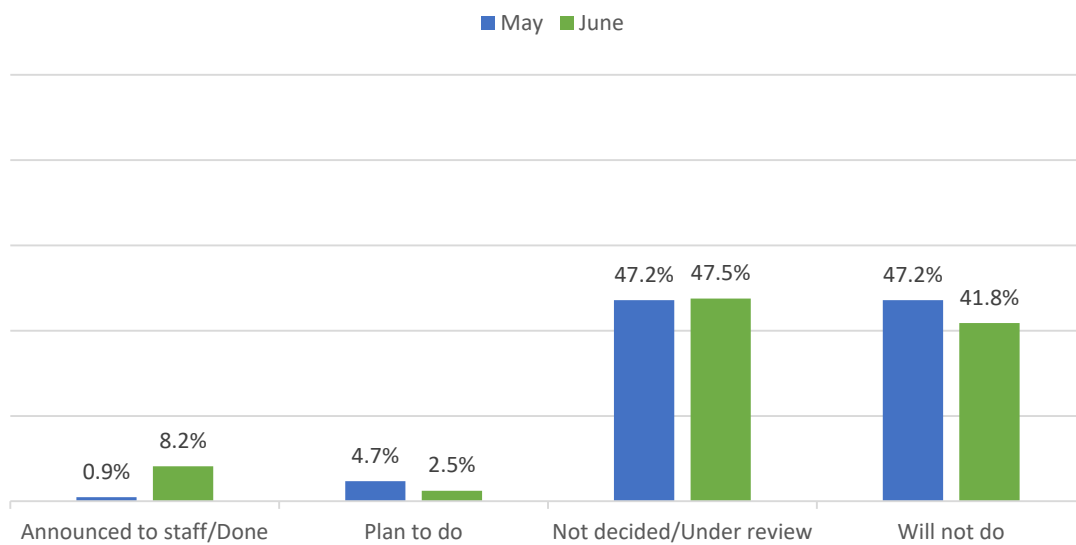


There has been a slight move over the past month towards delaying and reducing executive bonuses, however.

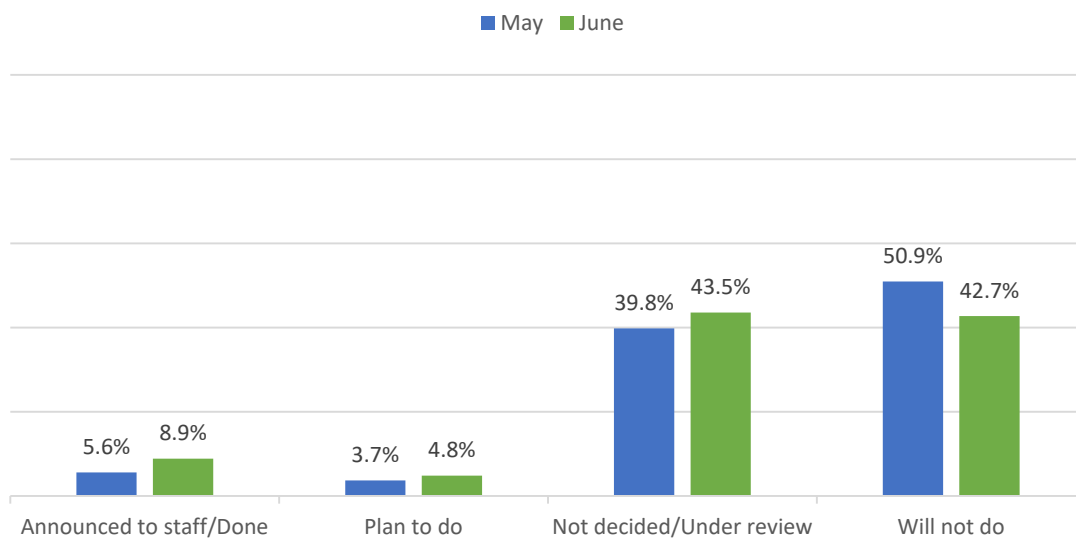
In our third survey, carried out back in May, just one in a hundred (0.9%) respondents had announced reductions to bonuses for executive staff. This has now jumped to almost one in ten (8.2%).

Similarly, while half (50.9%) our sample had ruled out deferring executive bonuses last month, this figure has now dropped to just over two fifths (42.7%) – while the percentage announcing delays has grown from one in twenty (5.6%) to almost one in ten (8.9%).

Reduce executive bonuses

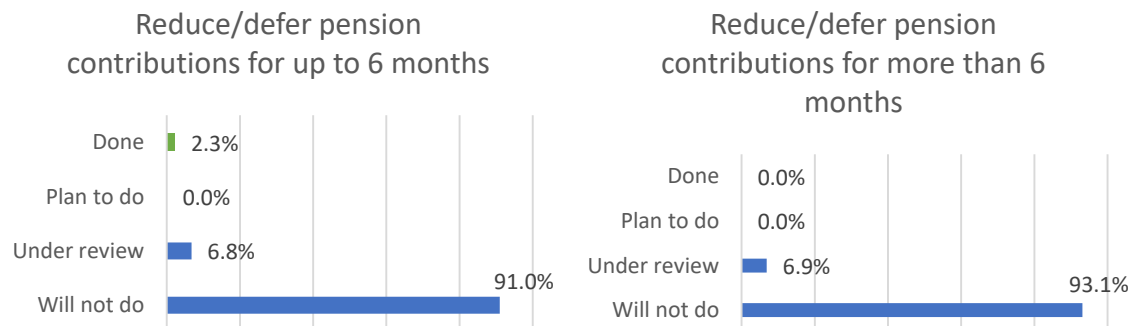


Defer executive bonuses



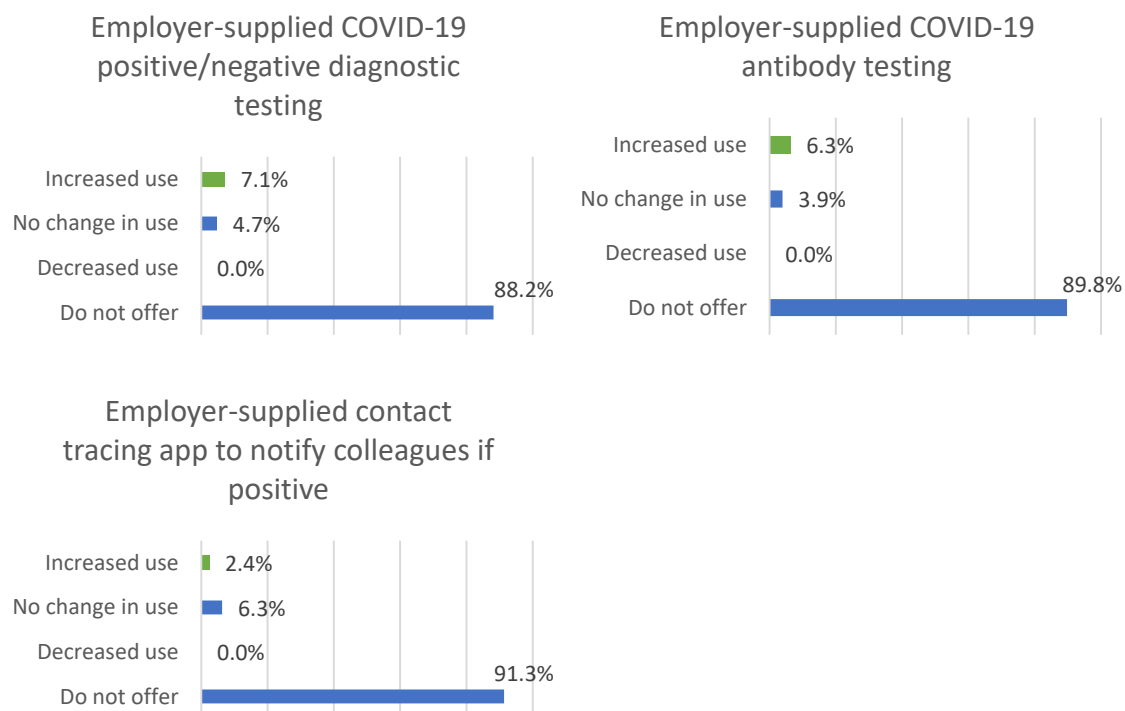
THE IMPACT OF THE COVID-19 CRISIS ON WORKPLACE PENSIONS

Pension schemes do not appear to have been much affected by the current crisis, however, with just a handful (2.3%) of respondents opting to reduce or defer their pension contributions. Instead, the vast majority have said their pension contributions will remain unchanged.



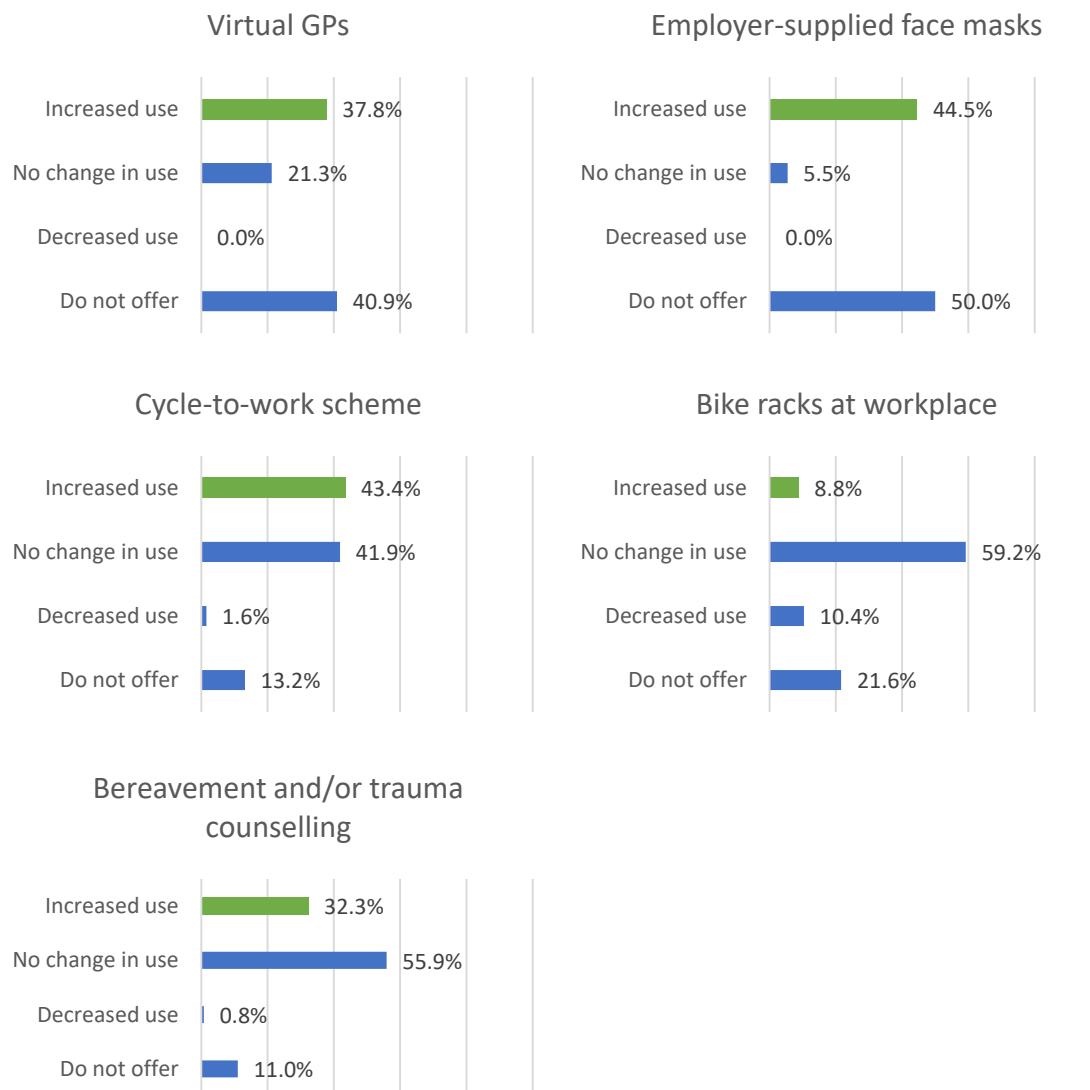
THE IMPACT OF THE COVID-19 CRISIS ON COVID-19-RELATED BENEFITS

Employers have not shown a great appetite for supplying Covid-19 tests – with just over one in ten offering diagnostic tests (11.8%) or antibody tests (10.2%) to staff. And fewer than one in ten (8.7%) are offering any form of contact tracing app to enable employees to notify colleagues of a positive test. It appears that the vast majority of employers would prefer to leave the Government to manage the testing and contact tracing process.



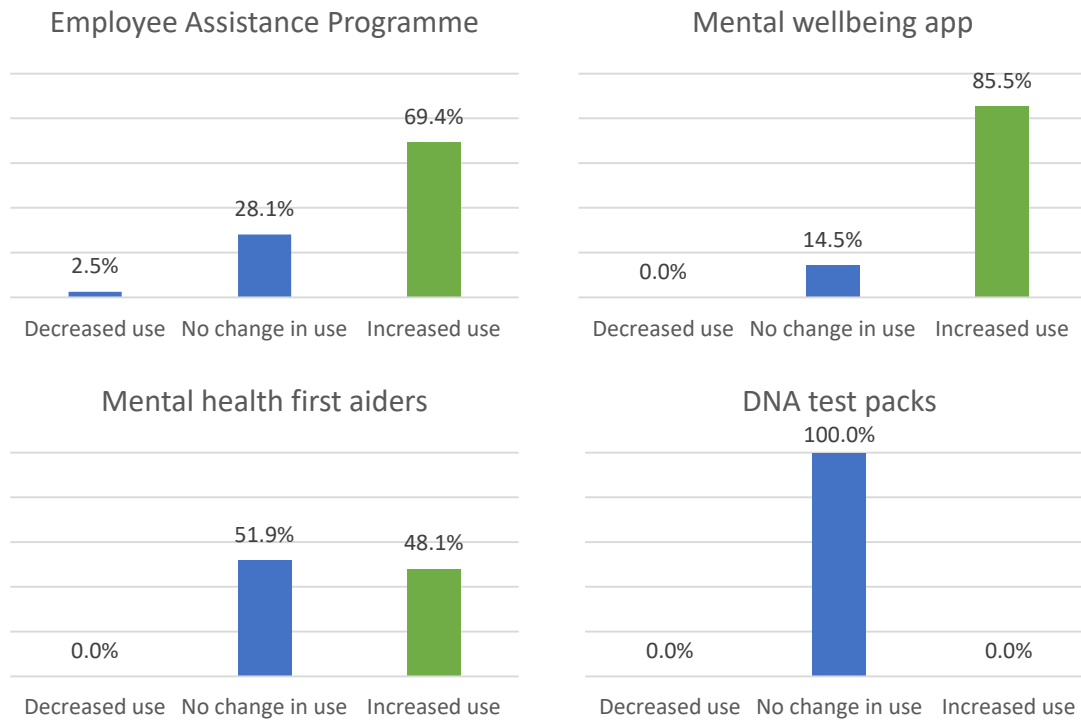
Several employee benefits have seen a jump in use in the last few weeks, with sizeable percentages of respondents reporting increased usage of virtual GPs (37.8%), cycle-to-work schemes (43.4%) and bereavement and/or trauma counselling (32.3%) – all of which have clear links to the Covid-19 crisis and its impact on employees.

Almost half (44.5%) our respondents have also reported a surge in issuing employer-supplied face masks in response to the virus.



THE IMPACT OF THE COVID-19 CRISIS ON THE USAGE OF WELLBEING BENEFITS

Several other common employee benefits have seen a sharp increase in use since the onset of the Covid-19 pandemic. Just over two thirds (69.4%) of employers report increased usage of their employee assistance programme, while almost nine in ten (85.5%) have witnessed a spike in the number of employees using their mental wellbeing app. Mental health first aiders have also been in demand, with almost half (48.1%) our respondents recording an increase in employee enquiries.



THE IMPACT OF THE COVID-19 CRISIS ON THE USAGE OF INSURANCE BENEFITS

In contrast, the Covid-19 crisis appears to have had little impact on the number of claims being made through employers' group risk products – with the majority seeing no change in use for their group life cover (91.6%), group income protection (94.6%) and critical illness cover (95.4%) products.

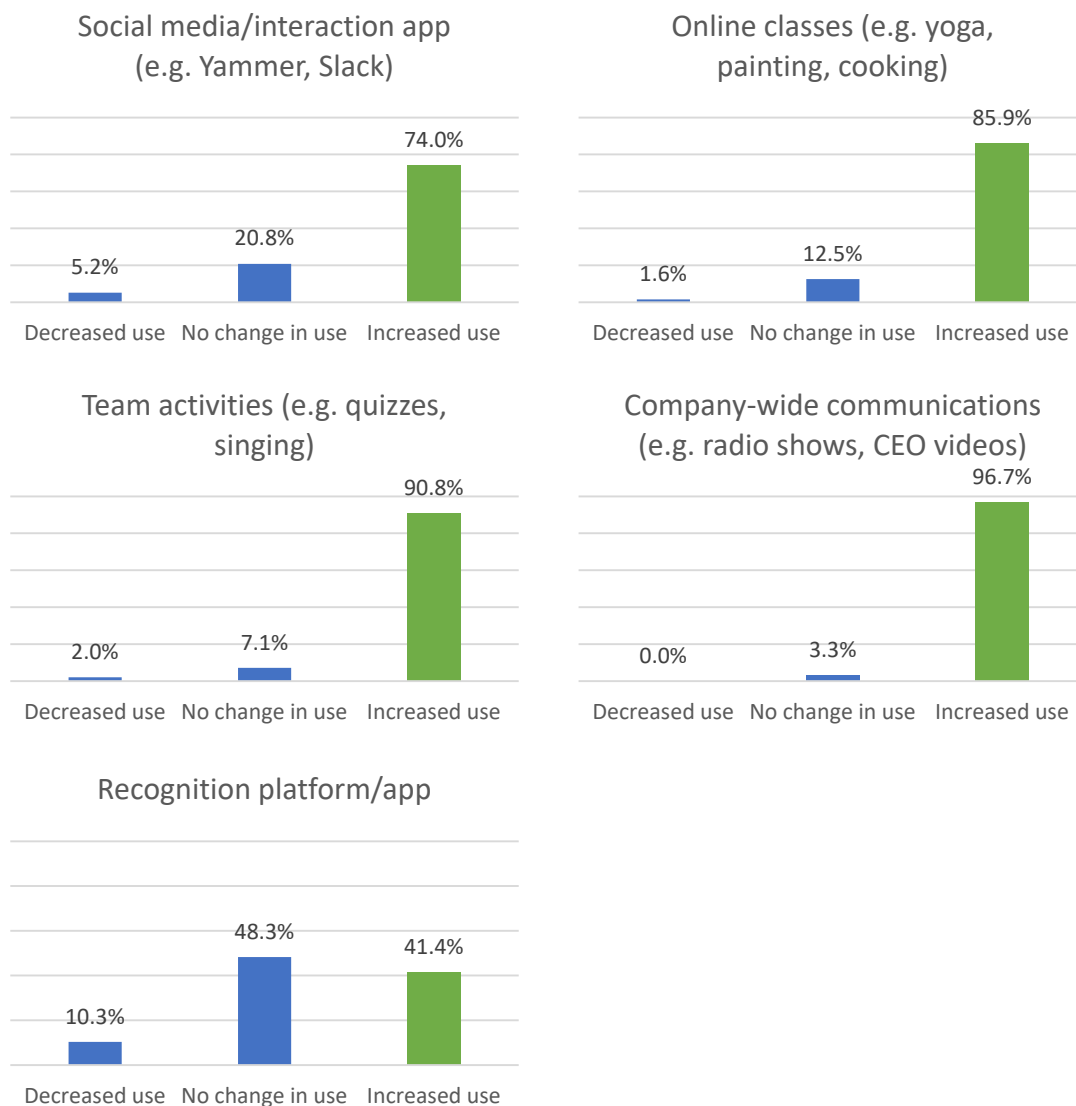
Almost two fifths (39.3%) of employers report a decrease in the amount of claims being made through their group private medical insurance schemes – but one in ten (10.3%) have seen increased usage of their health cash plans.



THE IMPACT OF THE COVID-19 CRISIS ON THE USAGE OF SOCIAL WELLBEING BENEFITS

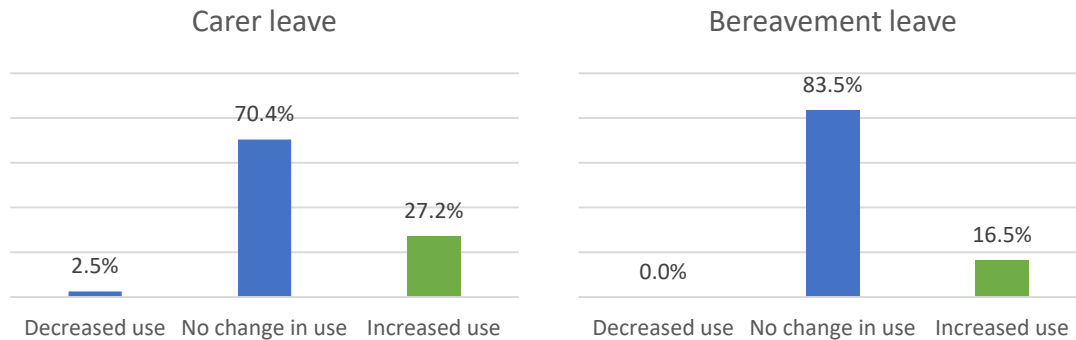
The Covid-19 crisis has led to a huge increase in the number of employees working remotely – and employers have taken steps to try and ensure they keep in touch and help staff continue to feel engaged and part of the company.

Nearly three quarters (74.0%) have increased their usage of social media apps, such as Slack, over the past few weeks, while even more employers have been making use of online classes (85.9%), team activities (90.8%) and company-wide communications (96.7%), such as radio shows and CEO videos, to help colleagues stay in touch.



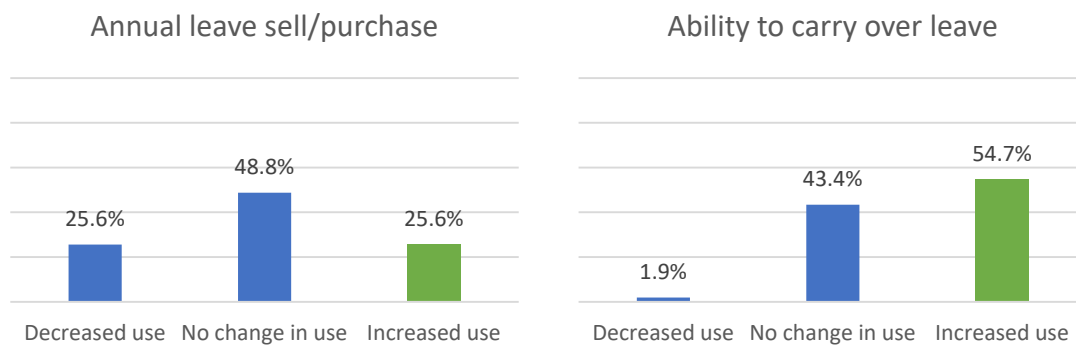
THE IMPACT OF THE COVID-19 CRISIS ON LEAVE AND HOLIDAY POLICIES

Employers have also witnessed some changes in employees' leave patterns. More than a quarter (27.2%) have seen an increase in the number of staff taking leave to care for dependants at this time, while one in six (16.5%) report an increase in bereavement leave.



The crisis has impacted employees' holiday plans in many different ways – and this is evident in employers' reports of how their staff are using their annual leave sell/purchase schemes. While a quarter (25.6%) tell us their employees are making more use of this benefit, the same percentage (25.6%) tell us staff are making fewer applications to buy or sell holiday.

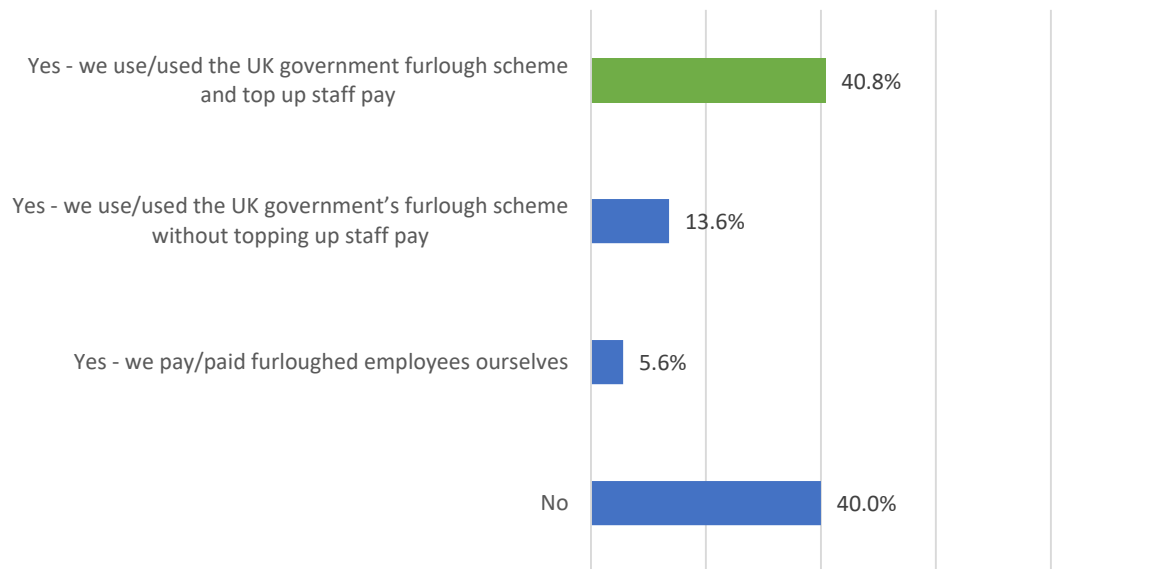
However, we are seeing a very clear trend when it comes to carrying over leave, with more than half (54.7%) of employers telling us their employees are asking to carry over unused holiday into next year.



USE OF THE CORONAVIRUS JOB RETENTION SCHEME

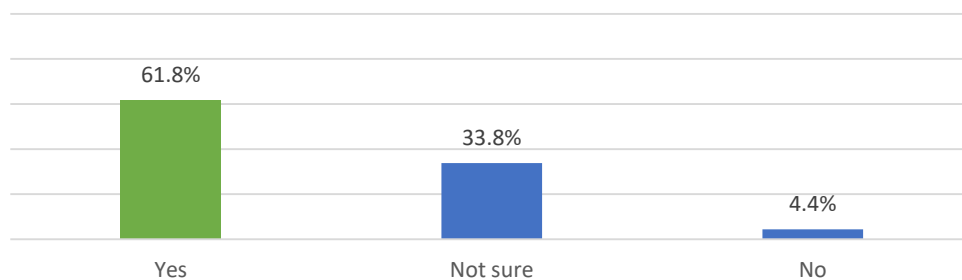
By 14 June 2020, 1.1 million employers had made use of the Government's Coronavirus Job Retention Scheme (CJRS), submitting claims worth £20.8 billion covering 9.1 million jobs. More than half (54.4%) our respondents have used or are still using the CJRS, with two fifths (40.8%) choosing to top up staff pay beyond the 80% level funded through CJRS grants.

Has/did your organisation put any staff on furlough?



From 1 July, employers can bring furloughed employees back to work for any amount of time and any shift pattern, while still being able to claim CJRS grant for the hours not worked. Three fifths (61.8%) of employers tell us they are planning to make use of these new flexibilities, while a third (33.8%) are still undecided.

Do you intend to use the new CJRS flexibilities from 1 July 2020?

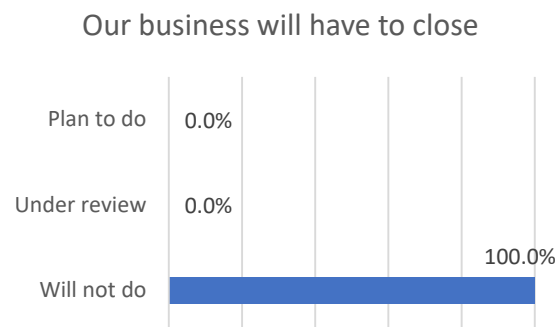
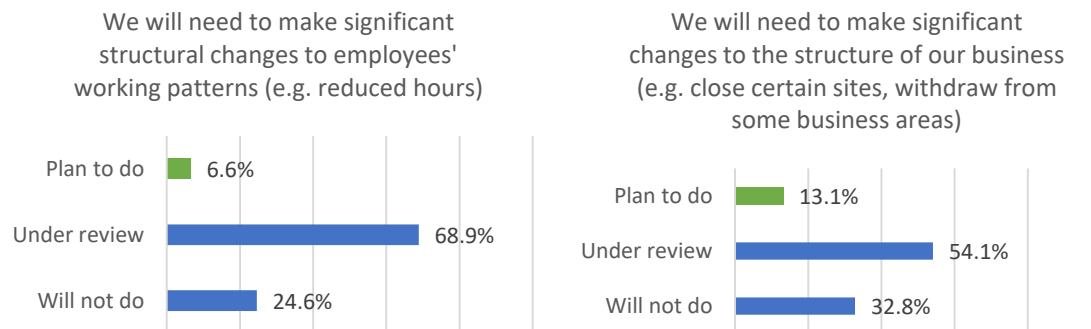


The CJRS rules will change yet further from 1 August, when employers will be required to re-start their NI and pensions contributions. And from 1 September, the level of the CJRS grant will be reduced every month – to 70% in September and 60% in October – with employers required to 'top up' employees' wages to ensure they receive at least 80% of their wages (up to a maximum of £2,500 a month). The CJRS will then close completely on 31 October 2020.

These changes to the scheme will impact many employers. While around one in ten (11.3%) employers tell us they expect to have all their furloughed staff back to work by August, many others will be forced to make big decisions about what to do with furloughed staff when the CJRS rules change. None of our respondents expect to have to close as a result of the rule changes – but a quarter (26.2%) plan to make redundancies and more than half (54.1%) are still considering this.



More than one twenty (6.6%) will need to make structural changes to working patterns, such as reducing working hours – while more than two thirds (68.9%) are considering such changes. And more than one in eight (13.1%) respondents plan to make significant changes to the structure of their business, such as closing certain sites.



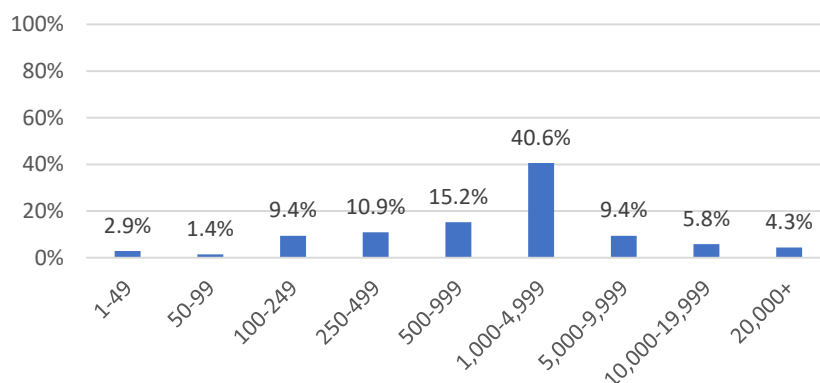
ABOUT THE SURVEY

This survey had 138 responses from employers, representing an estimated collective total of more than half a million employees. It took place between 2pm on 9 June and 9am on 17 June 2020. It was conducted by the Reward & Employee Benefits Association among its 2,000 Professional Members.

Responses primarily represent medium to large workforces:

- 60.1% of responding businesses had more than 1,000 employees
- 26.1% had 250-999 employees
- 79.7% are private sector employers

How many UK-based staff does your organisation employ?



REBA WOULD LIKE TO THANK ITS CONTRIBUTING MEMBERS WHO TOOK PART

Abcam, Aberdeen International Airport, ACO Technologies, Aegon UK, Ageas Insurance, Aggreko, Air Partner, Alexander Mann Solutions, Arup, Ascential, Asendia UK, AWE plc, Barnett Waddingham, Becton Dickison, BGL Group, Bidfood UK, Birmingham City University, BITC, Blue Prism, BNP Paribas, Bombardier Transportation, Brewin Dolphin, British Medical Journal, Brown-Forman Corporation, BT, Bureau Veritas, CAYSH, CDK, Civil Nuclear Constabulary, Claims Consortium Group, CNOOC Petroleum Europe, Coca-Cola, Colgate-Palmolive, Connect Group, CooperVision, Crown Agents, Del Monte, Department of Health and Social Care, Diageo, Direct Line Group, DNV GL, Domino's Pizza, E.ON UK, Edgewell Personal Care, ENGIE UK & Ireland, EnQuest, Equifax, EVRAZ, Ferguson, Financial Conduct Authority, FRC, Gap Partnership, Gazeley, GFG, Gowling WLG, Greensill Capital Management Company (UK) Gregory Distribution GVC, Hanson UK, Hastings Direct, HomeServe, Hymans Robertson, IHG, Imagination Technologies, Incora, International Personal Finance, iPSL, ITN, John Lewis Partnership, Jones Lang LaSalle, Kier Group, Kindred Group, Lemonade, Lendlease, Low & Bonar, Manchester United, Marshall Aerospace and Defence Group, Marston's, Mazars, MediaKind, Mencap, Mitchells & Butlers, Molson Coors Beverage Company, Money and Pensions Service, National Grid, National Trust, Natixis, Norgine, Ocado Retail Limited, Ocean Housing Group, Ordnance Survey, OUP, OVO Energy, Personal Group, Petrofac, Priory Group, Progress Housing Group, Rathbones, RBL, RBWM, ResMed, Richard Alberto HR Consultancy Services, Rotork, RSA, RSPCA, SAP, Save the Children UK, Schroders, Sensata Technologies, Severn Trent, Simplify, Smiths Group, Sophos, Speciality Steels UK, Springer Nature, Sunrise Senior Living, Taylor Wessing LLP, Teenage Cancer Trust, THB Group, The Girl's Day School Trust, The Hyde Group, The Very Group, Thomas Miller, Thomsons, Three UK, Topps Tiles TRL, TUI Group, University of Lincoln, VMware UK, Webhelp, Wells Fargo, William Grant & Sons, Withers, WMCA, Wood, XPO Logistics, Yusen Logistics UK