



Rewards after the Pandemic

A Charter for reviewing & renewing your reward strategy

By Dr Duncan Brown

'How can we create a more equitable, collective, compassionate approach to reward and people management more generally after this Crisis?'

'This is a once in a lifetime opportunity to challenge entrenched thinking, which works well for some but not for the many.'

'We need to guide the HR community to undertake a systematic re-evaluation of their rewards in the light of Covid-19.'

'Companies have transformed in 2-3 weeks what would have been in 5-year strategic plans... 'agile' should in future extend to reward.'

Summary

Our [‘Rewards after the Pandemic’ group](#) believe there is great value in employers and HR leaders undertaking a strategic, systematic review of their employment & reward practices. We have developed a framework to encourage and support this review process.

There are no simple answers or ‘best practice’ actions in response. But we provide guiding principles and a structure to facilitate these discussions, to develop answers and actions. Employers and their HR and reward heads need to ask four fundamental questions:

1. What are our reward principles, goals, values and success criteria?
2. How well are our current reward policies and practices delivering on these principles?
3. What reward changes have the potential to improve the delivery of the principles?
4. What has changed, what have we learned from this crisis from a reward perspective?

We encourage employers to identify underpinning principles for reward practices and provide key questions to ask - and actions they might take - to progress, including:

- How fair are our current reward policies; how do we better deliver fairness in the future?
- How well do we reward and recognise the contribution of staff at all levels and in all roles?

- How well do we support the security, health and wellbeing of our workforce?
- How well do our rewards reinforce the goals and values of the organisation?
- How competitive are our pay policies, how well do they support recruitment and retention?
- How well do we motivate and engage all of our different and diverse employees?

We would not question the need to ensure the affordability of any reward changes. But the evidence is clear, reinforced by experience in this crisis: investing more, more effectively in employee rewards has many benefits. Employers can: attract high performing staff from diverse backgrounds, increase productivity as people add more value, because they see fairness in their rewards, the opportunity to progress, and appreciate the flexibility, security, recognition and support they receive.

Our group believes that a stronger emphasis on fair, collective and compassionate reward policies and practices in future would be a justified and highly beneficial outcome from the horror of Covid-19.

Our mission: The need for review and renewal

Our ['Rewards after the Pandemic' group](#) of senior reward professionals, policy makers and researchers have been meeting virtually over the past three months. We all agree that there is great value in employers stepping back now, as the lockdown is progressively opened up; and undertaking a strategic, systematic review of their reward and employment practices for the future. We have developed a framework to support employers, HR, reward and benefits professionals to do this.

Our aim is to encourage and facilitate HR and reward professionals, their leaders and boards to have these vitally important, if often challenging discussions, to help them to think into an uncertain future, identify and link important reward issues, raise key questions and draw out the implications, to consider future alternatives, choices and improvements.

None of us will be the same after this horrendous experience; and nor will our organisations, our people and our policies. The current situation is more complex and difficult than many of us will have faced in our careers, with huge uncertainties, as well as many immediate challenges to respond to. There will be huge financial pressures, encouraging us to avoid these longer-term, deeper reward agendas, particularly if a lengthy recession and 'fight for survival' ensues.

Yet review and renewal, rather than simply lapsing back into the status quo, **is essential**, for two reasons. First, **the problems** with the UK's prevailing market-driven, flexible reward and employment model for the past

decade have been widely exposed by the pandemic. According to [Paul Johnson](#) of the IFS,

‘the world post-Covid-19 is likely to see many existing inequalities magnified...it should lead us to reassess the value of an effective welfare system and collective security’. The UK has become a low skill, low pay, low productivity economy.’

But second, there are also positive features to emerge from this, presenting **opportunities** for reform, notably: the strong sense of **common identity**, purpose and experience evident in fighting Covid 19; and the [widespread recognition](#) of the vital work but appalling rewards of our health, care and other **keyworkers** - *[‘applause is not enough’](#)*.

Employers have done in weeks what would have taken years in the past to undertake - moving the majority of their staff to homeworking or introducing new benefits to support their mental health. Employers and governments have invested heavily in employees’ welfare and security, factors which underpin their engagement and productivity. Lessons need to be learned and applied.

We can’t provide any simple universal answers or ‘best practice’ actions, as there aren’t any. But we can provide guiding principles and a framework to facilitate these discussions and to work towards vitally important answers and actions.

Strategic reward review: The principles

Any [strategic reward framework](#) designed to review, assess and reform reward practices in an employer, essentially boils down to addressing three questions ([Armstrong, Brown and Reilly, 2009](#)):

1. What are our **reward principles**, goals, values and success criteria - what do we want our reward practices to achieve, what does 'good' look like?
2. How well are our current reward policies and practices **delivering** these principles in practice, what are their strengths and weaknesses?
3. What **changes to reward strategy and practices** have the potential to improve the delivery of the principles and which are the ones that we want adopt and implement?

In our current situation, we must add a fourth critical question:

4. What has changed, what have we learned from this crisis from a reward perspective?
 - How has it challenged our thinking and our previous/current reward approaches?
 - What temporary changes have we made and should we revert to the status quo? Or
 - Do we need to continue them into the future? Or
 - Do we instead need to adopt something totally different and new?

These are big questions, not easy to address. A framework of guiding principles and further questions may help in structuring the discussion and drawing out actionable answers.

The reward principles most commonly stated in employer reward strategies (ibid, 2009) include:

- being business-aligned and reinforcing the goals and values of the organisation;
- maintaining competitiveness, so as to **enable the recruitment and retention** of staff;
- meeting the diverse needs of employees, so as to **motivate and engage them**;
- being **fair** and consistent in how all employees are treated, with an appropriate distribution of rewards and maximum levels of reward **transparency**;
- reinforcing the **collective identity, performance and contribution** of the whole organisation and the teams and individuals it comprises of;
- providing an appropriate degree of workforce security, health and wellbeing so as to reward with compassion.

Our RAP group believes that recent weeks have highlighted the importance of these last three areas in particular, in supporting a shift towards '*a more equitable, collective, compassionate approach to reward and people management*' that we believe is required post-pandemic.

The effectiveness of assessing these principles in an employer depends not just on the questions asked and actions taken, but also on the process of review itself.

Communication and involving all of an organisation's stakeholders and functions, in particular employees, their

representatives and trade unions, is vital to securing the understanding and trust to underpin a highly engaged, high performing organisation in the future. Line managers are also a key audience to consult and engage.

The implementation and effective operation of any reward changes will similarly depend on high levels of employee communications and involvement. Supporting HR data analysis to fully understand the current situation and model change options will also be important to answer these questions effectively.

A framework of reward questions and possible responses post-pandemic

Some of the questions to consider in reviewing current reward policies and practices, include:

1. How **fair** are our current reward policies; and how do we better deliver fairness in the future?
2. How well do we **reward and recognise** the contribution of staff at all levels and in all roles?
3. How well do our current reward policies support the **security, health and wellbeing of our workforce**?
How can we better address these fundamental human needs in future?
4. How **business-aligned** are our reward policies and practices; and how well do they reinforce the **goals and values** of the organisation?

5. How **competitive** are our pay and reward policies, how well do they support the **recruitment and retention** of staff in our labour markets?
6. How well do we **motivate and engage** all of our different employees and how well do our reward policies support our diversity and inclusion goals?

We can't provide any simple answers or 'best practice' actions, as there aren't any, they will need to vary between different employers. But in the Appendix we detail these question and also focus on some key areas and suggest some actions highlighted by the pandemic. Examples include:

How fair are our current reward policies; how do we better deliver fairness in the future?

- Introducing common job evaluation and pay structures for all staff, including executives.
- Providing pay & career progression for all employees, linked to growth in contribution.
- Is any re-distribution of our paybill required?

How well do we reward and recognise the contribution of staff at all levels and in all roles in our organisation? How can we improve on that?

- Introducing profit and/or gainsharing plans and/or all-employee share plans
- Reviewing and re-designing executive rewards, with in future: a base salary emphasis, simpler LTIs focused on retention, and annual bonus reflecting all stakeholder interests.

How well do our current reward policies support the security, health and wellbeing of our workforce? How can we better address these fundamental human needs in future?

- Paying a real Living Wage for all employees including contractors and agency workers
- Developing and operating a comprehensive employee health and wellbeing strategy

How business-aligned are rewards, how well do they reinforce our goals and values?

- Developing and publicising an explicit reward strategy with success measures
- Introducing market-leading ESG reporting externally.

How competitive are our pay and reward policies, how well do they support the recruitment and retention of staff in our labour markets?

- Limiting managers discretion in setting salaries for new hires
- Using clearly defined, justified and time-limited market supplements.

How well do we motivate and engage all of our different employees and how well do our reward policies support our diversity and inclusion goals?

- Carrying out regular equal pay and gender pay audits.
- Not using individual bonus and incentive plans.
- Using stakeholder performance measures which all can contribute to such as equality, attrition, organisational achievement.

Seizing opportunities for rewards after the pandemic

‘When the worst of the pandemic is over, what kind of future will we seek? To go back to the way things were, or to try to create a more just and caring society? ...We’ve been through too much together to go back to where we were’.

Rabbi Lord Sacks, The Today Programme, 15th May, 2020

The strategic reward agenda and questions we have set out for post-pandemic rewards are summarised in the Appendix. They are in no senses easy and straightforward questions to answer.

Some may argue that economic and financial concerns and the need simply to provide jobs on any basis is what is essential now, to recover from the virus and the unprecedented scale of its impact on the economy and public finances.

We would not question the need to ensure the affordability of any reward improvements and changes in an organisation; and clearly, the essential improvement of keyworker pay and conditions in the public sector will require major additional state investments.

But that is the point - they are **investments**. The research record on human capital investments is unequivocally that they pay off: for the individual, the employer and society. Purely focusing on short-term cost concerns will simply induce another decade of austerity, falling living standards and millions of low paid, low productivity workers and contractors ‘one pay cheque away from poverty’.

The evidence is clear and reinforced by experiences during this crisis, investing more and more effectively in the rewards has many **benefits** for all stakeholders, including that employers can:

- Attract and retain high performing staff from diverse backgrounds and stop wasting money on a recruit/retrain merry-go-round;
- Increase productivity when people are able to grow their skills, add higher value and release their discretionary effort;
- Demonstrate fairness and transparency in their rewards and the opportunity to progress their skills and careers, and
- Build engagement, as their people appreciate the flexibility, security, recognition and support the employer provides, whatever their background, and to live fulfilling lives.

Our questions are designed to support discussion about this wider stakeholder and longer-term people and reward agenda. Hopefully they are a start for you on your journey to encapsulating learning from the pandemic, drawing out pay and reward ‘good’ from its aftermath; and charting your own reward strategy going forward, enabling organisations and the UK to #buildbackbetter (film-maker [Richard Curtis](#)’s term comparing the current to the immediate post-1945 situation).

Our group believes that a stronger emphasis on fair, collective and compassionate reward management, policies and practices would be a justified and highly beneficial outcome from the horror of Covid-19.

Developed and endorsed by the Rewards after the Pandemic Group

- Dr Duncan Brown, secretary, independent reward researcher and adviser
- Dr Yvette Adams and colleagues, Senior Lecturer, University of Roehampton
- Aidan Crossey, Head of Reward, Royal College of Arts
- Frank Hogan, trustee at Aldridge Education, formerly HR Programme Lead at Royal Mail.
- Laurence Hopkins, Director, Leigh Consulting
- Frank Mason, senior independent reward consultant and interim
- Rachel McIlroy, Senior Research Lead, Employment Relations, Royal College of Nursing.
- Matt Naish, Reward Manager, University of Sussex
- Tom Powdrill, Responsible Investment, PIRC
- Iain Willetts, senior reward professional and consultant.

Additional members include:

- Two members from a government policy department
- The Head of Reward for a large PLC
- The Senior Executive Compensation Manager for a financial services company.

Appendix: A summary framework for your post-pandemic reward strategy review

Drivers of Change	Strategic Review Questions	Future Reward Principles	Specific Questions	Example Actions to Consider
<p>1. Push factors and failing pre-Covid-19 model:</p> <p>-growing 'precarious' of the lower-skilled/low paid,</p> <p>-increasingly differentiated executive rewards;</p> <p>-growing mental ill health ;</p> <p>-a crisis of financial wellbeing;</p> <p>-a shift in corporate benefits from collective security to personal choice/ flexibility.</p>	<p>1. What are our reward principles goals, values and success criteria - what do we want our reward practices to achieve, what does 'good' look like?</p> <p>2. How well are our current reward policies and practices delivering these principles in practice, what are their strengths and weaknesses?</p> <p>3. What reward changes have the potential to improve the delivery of the principles and which are the ones that we want to adopt and implement?</p>	<p>1. Being fair and consistent in how all employees are treated; with an appropriate distribution of rewards between them; and maximum levels of rewards transparency & communication.</p>	<p>- How do we define fairness in our organisation?</p> <p>- How well do we reward/recognise the contribution of keyworkers and lower paid staff?</p> <p>- Do we provide and communicate pay and career progression opportunities to everybody in our workforce? If not, why not?</p> <p>- Do we have job evaluation and pay structures to ensure fair and consistent pay decisions are made? - How well do they work; do they need improving?</p> <p>- Does the methodology accurately reflect the demands, importance and social value of the job?</p> <p>- How in future do we build a fairer rewards 'deal', with better pay, progression and security for our keyworkers and for low paid and gig workers?</p> <p>- How do we fund any higher costs?</p> <p>- Is any re-distribution of our payroll required?</p>	<p>-Introducing common job evaluation and pay structures for all staff, including executives, with regular audits of their effectiveness</p> <p>- Providing pay progression for all employees, linked to growth in skills and contribution and linking this to overall engagement and productivity.</p> <p>- Operating talent management policies which emphasise internal promotion over external recruitment; making training widely available at all levels.</p> <p>- Developing a more equitable pay distribution which recognises the contribution of 'key workers'.</p>
<p>2. Pull factors and positive features and opportunities:</p>		<p>2. Reinforcing the collective identity, performance</p>	<p>-How appropriate are our current internal base pay and total cash differentials? Are they justified?</p> <p>- Do all staff have the opportunity to share in our collective success? What schemes do we currently</p>	<p>-Introducing profit and/or gainsharing plans</p> <p>-Using all- employee share plans</p>

<p>-The business government and rewards landscape has changed radically /rapidly;</p> <p>-government playing a much more proactive role;</p> <p>-Investors more interested in responsible management /ESG reporting;</p> <p>- a strong sense of common identity/purpose/ experience in fighting Covid 19</p> <p>- voluntary executive pay cuts and scheme suspension</p> <p>- recognition of keyworkers' importance & poor rewards.</p>	<p>4. What have we changed and what have we learned from this crisis from a reward and recognition perspective?</p>	<p>and contribution of the whole organisation and the teams and individuals it comprises of.</p>	<p>operate? Who participates and who doesn't? Why?</p> <p>- Do we need to let all/ more of our employees share in our success?</p> <p>- If executives have taken pay cuts, should we take the opportunity to question their pay structuring?</p> <p>- How appropriate and effective are our executive long-term incentives? Is the reward/incentive/ risk balance right? Do we continue with this model? How might it be refashioned to support a wider stakeholder agenda? Do we need to change participation, designs, measures, timescales etc?</p> <p>- What's the EVP, the employment deal here, why do people join and stay with us and contribute?</p> <p>-How aligned are our employee benefits, not just with the external market, but also with the values and ethos of the organisation? Are their differences between benefits for different categories of employees/ workers? Is this justified?</p> <p>- With illness and death having become a far more widespread experience in the past 3 months, how have our benefits and support structures (life cover, EAP etc) performed in the pandemic? How well have they been understood, utilised and valued by staff?</p> <p>- How have we had to enhance and add to these provisions in recent weeks? Are their aspects of</p>	<p>-Reviewing and re-designing executive rewards, with in future: a base salary emphasis, simpler LTIs focused on retention, and annual bonus reflecting the range of stakeholder interests</p> <p>-Reviewing/monitoring internal pay ratios and targeting to be in the lower half of comparator organisations</p> <p>-Building a high recognition culture in the organisation with extensive tools available to reinforce this</p> <p>-Paying at least a real Living Wage minimum for all employees</p> <p>-Set /ensure minimum standards for contractors and agency workers; regularly audit supply chains, support suppliers to raise labour standards</p> <p>-Offering temporary staff permanent contracts after a fixed minimum period</p> <p>-Developing and operating a comprehensive employee health and wellbeing strategy based on surveyed employee needs, including financial well-being, physical and</p>
	<p>- How has it challenged our thinking and our previous/current reward approaches?</p> <p>-What temporary changes have we made and should we revert to the status quo?</p> <p>-Or do we need to continue them into the future?</p> <p>-Or do we instead need to adopt something totally different and new?</p>	<p>3. Providing an appropriate degree of workforce security, health and wellbeing, so as to reward with compassion</p>		

		<p>the new and enhanced support we have been providing we want to continue permanently eg homeworker and mental health support?</p> <p>- How well have the providers of these benefits responded – have they met the expectations of those staff making use of them?</p> <p>- How can we improve the security and well-being of all our employees, especially the lowest paid.</p> <p>- Do we need new benefits and a higher minimum security for all employees/ contractors?</p> <p>- Do we need to improve how we communicate benefits to staff to improve awareness and usage?</p>	<p>mental health, rather than just an EAP helpline.</p> <p>-Provide high maternity/ family support, including shared parental pay</p> <p>-Providing pension benefits above the statutory minimum where possible, eg matching employee contributions and/ or risk-sharing CDC schemes</p> <p>-Providing short and long-term death/ sickness/illness and disability benefits</p> <p>-Communicating and consulting extensively with employees regarding pay and benefits- monitoring usage, increasing voluntary benefits uptake.</p>
4. Being business-aligned and reinforcing the goals and values of the organisation		<p>- What are our reward goals and principles and what are the priorities amongst them?</p> <p>- How well are rewards aligned with the core purpose and values of the organisation, how are employees rewarded for progressing that purpose?</p>	<p>-Developing and publicising an explicit reward strategy with success measures</p> <p>-Introducing market-leading ESG reporting externally</p>

			<ul style="list-style-type: none"> - What are our reward objectives for all of our key stakeholders, how are they reflected in our policies? - How extensively and effectively do we report externally on an ESG basis? - Do we have the right balance of business flexibility and employee/worker security in our staffing and reward models? 	<ul style="list-style-type: none"> -Linking reward and recognition arrangements explicitly to the display of employer values -Shifting the resourcing balance towards employees rather than contractors
	<p>5. Maintaining competitiveness, so as to enable the recruitment and retention of staff in our labour markets</p>	<ul style="list-style-type: none"> -How do we deliver market-competitive rates of pay while also ensuring that men and women are paid equally, rather than importing market-biases and premia from the external market? -Where do we have labour shortages and/or excessive staff turnover? How can we address these? 	<ul style="list-style-type: none"> -Limiting managers discretion in setting salaries for new hires -Using clearly defined, justified and time-limited market supplements -Preventing new hires' previous salaries influencing pay setting -Monitoring staff attrition rates -Market surveys using reputable data sources but using them to inform rather than drive internal pay setting. -Retraining existing staff to move into areas of skills shortages. 	

		<p>6. Meeting the diverse needs of employees, so as to motivate and engage them</p>	<ul style="list-style-type: none"> - What pay gaps between different groups/levels do we have? How big are they? What has caused them? Are they defensible? - After this crisis, are doing enough to address them? What else could/should we be doing? - How can we ensure and demonstrate everyone, of whatever background, colour, gender, orientation, etc. has an equal opportunity to progress their career and pay here, to develop their talents to the full and be rewarded for this? - How effective are our flexible and home working policies? How can we improve both their cost effectiveness and their uptake by employees? - How well do we communicate our reward and benefits policies to employees, how do we involve/ engage them in reviewing and improving them? 	<ul style="list-style-type: none"> - Carrying our regular equal pay and gender pay audits. - Extending to cover ethnicity, disability and other protected characteristics - Actions to address causation, setting targets to reduce pay gaps - Limiting line managers' pay discretion - Not using individual incentive plans, or rigorously checking for gender bias - Providing extensive flexible working opportunities for all staff - Adoption of the Social Mobility Commission Charter - Providing voluntary benefits, giving employees choice in their benefits above a core, secure level. - Using stakeholder performance measures which all can contribute to, such as equality, attrition, organisational achievement.
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