

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

7 May 2020



Impact of COVID-19 on pay, bonuses, executive remuneration and employee benefits

REBA's 3rd snapshot survey
28 April to 5 May 2020

Introduction

On 17 April, less than two weeks before the survey went into the field, the UK government extended its Coronavirus Job Retention Scheme (CJRS) by one month. 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.

The CJRS is currently scheduled to run until the end of June, but it will be kept under review and extended again if necessary.

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

This survey covers:

- Current and future impact of coronavirus on sustainability of organisations
- Use of the Coronavirus Job Retention Scheme
- Workplace planning, redundancies and recruitment
- Pay and bonus decisions
- Executive remuneration: pay, LTIPs, bonuses and Shareholder AGMS
- New benefits: COVID-19 tests, face masks and travel to work
- How COVID-19 is changing employee wellbeing offerings and insurances
- Impact on employee financial wellbeing services
- How employers are supporting physical, mental, financial and social wellbeing

REBA has been keeping track of these developments, as well as other updates around how the coronavirus lockdown will be lifted, and it is supporting its members with running updates on its website, a series of webinars and through its peer-to-peer rebaLINK service.

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 28 April and 5 May 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.

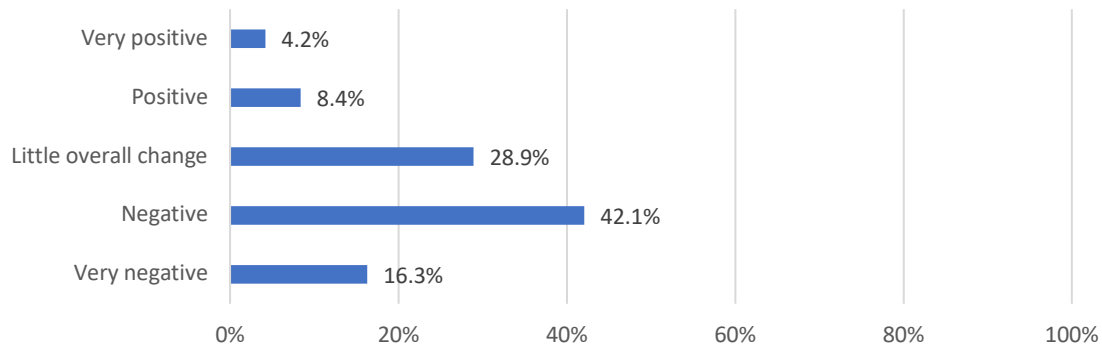
REBA received 194 responses to the survey from its members, including organisations such as Airbus, British Transport Police, easyjet, Home Office, John Lewis Partnership, Marks & Spencer, National Trust, Ocado, Rolls-Royce, Shell International and Virgin Atlantic.

In total, the businesses that responded to the survey represent almost one million employees, across industry sectors including financial services, technology, retail and engineering. Just over three quarters (77.8%) of respondents were from the private sector.

The current and future impact of the coronavirus pandemic

The immediate impact of the current crisis is having a hugely detrimental effect on the sustainability of respondents' businesses, with almost three fifths (58.4%) declaring it has had a negative or very negative impact.

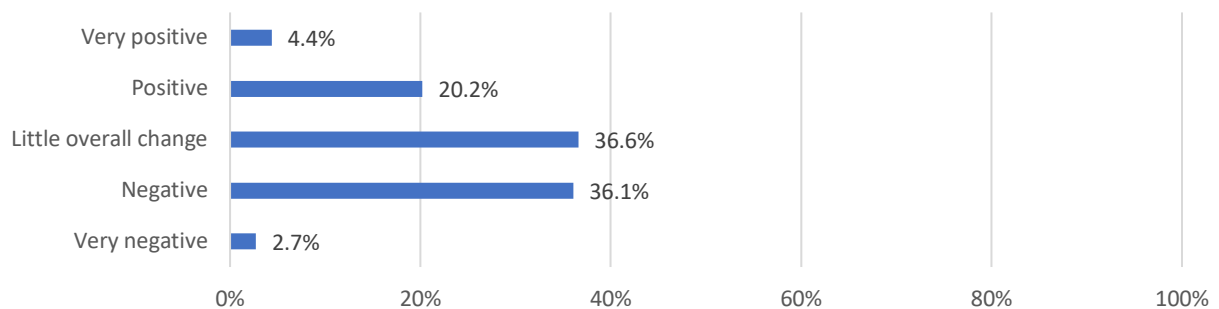
What is the current impact of the coronavirus pandemic on the sustainability of your business?



The handful of firms who believe the coronavirus pandemic is currently having a positive impact on their business are generally in the food manufacturing, food distribution and healthcare industries.

Respondents are more optimistic about their long-term future sustainability. Almost a quarter (24.6%) believe the coronavirus will have a positive or very positive impact on the future sustainability of their business, while just over one in 40 (2.7%) think it will end up having a very negative impact.

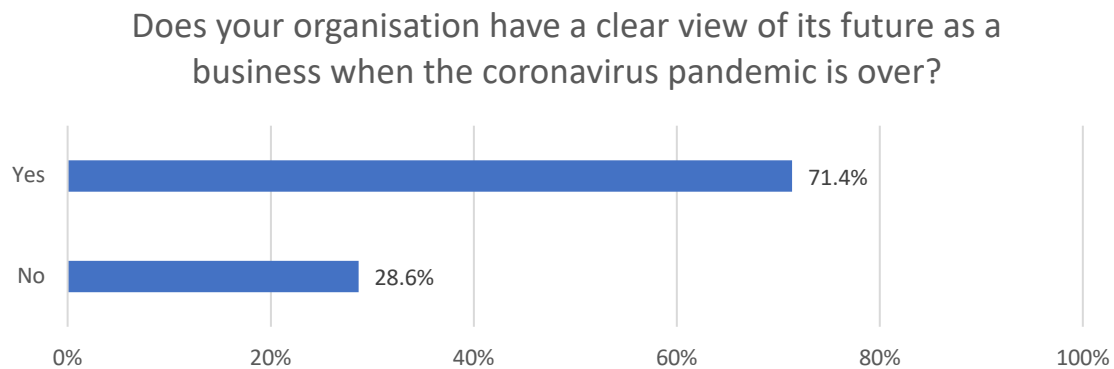
What is the future anticipated impact of the coronavirus pandemic on the sustainability of your business?



Firms forecasting a very negative future impact on their business are predominantly in the transport, leisure and travel industries.

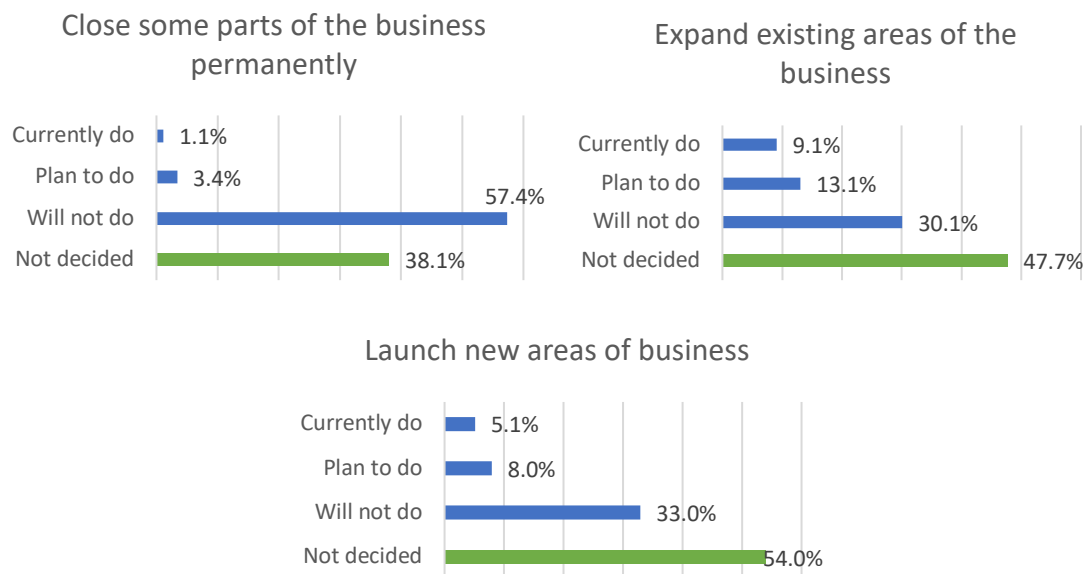
Looking beyond the coronavirus pandemic

Almost three quarters (71.4%) of respondents believe they have a clear view of their future as a business when the coronavirus pandemic is over.



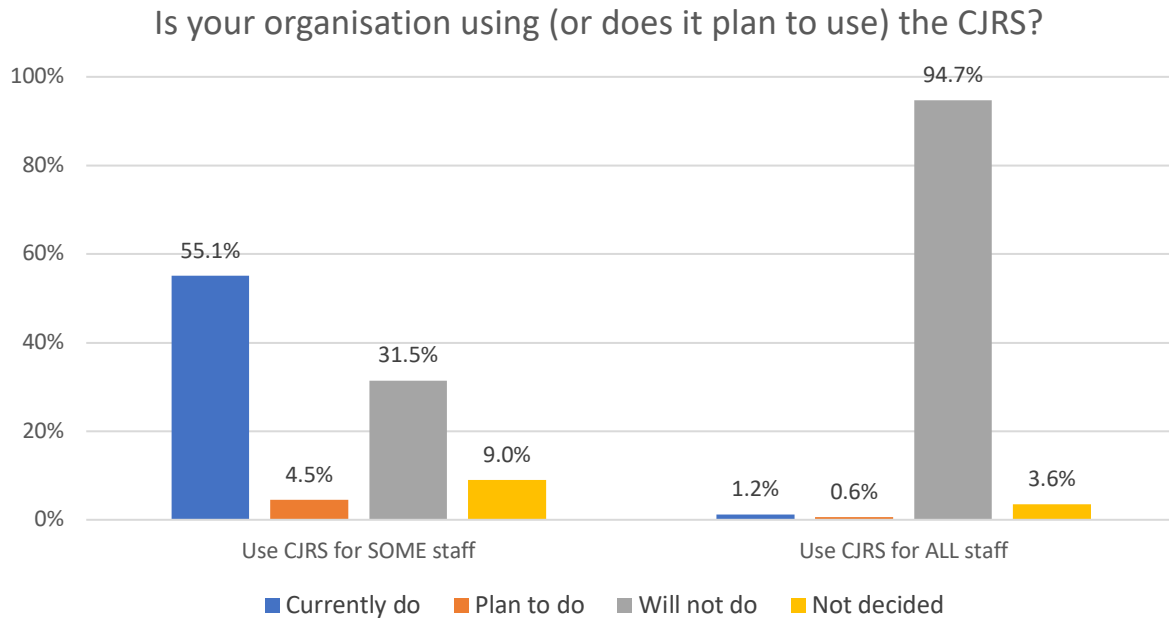
Impact on business strategy

Very few respondents have had to permanently close parts of their business in response to the current crisis – indeed, more firms have already expanded or are planning to expand existing new areas of their business or to launch new areas of business.



The Coronavirus Job Retention Scheme

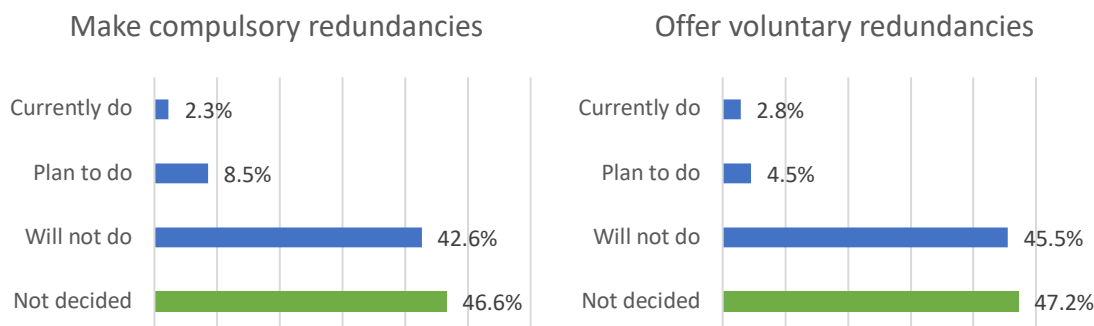
Take-up of the CJRS has been relatively high, with more than half (55.1%) of respondents already using the scheme for some staff and a further one in 20 (4.5%) planning to do so. Very few are using it (1.2%) or plan to use it (0.6%) for all staff, however.



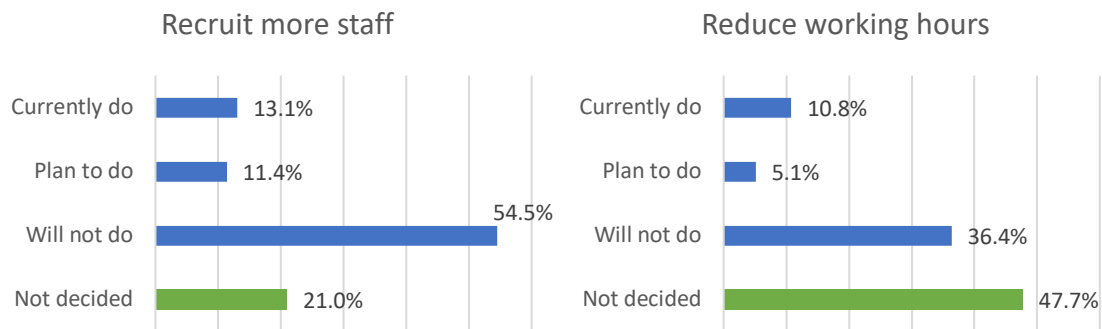
Workforce planning

Relatively few respondents have so far made redundancies in response to the current crisis, with just a handful making compulsory or voluntary layoffs. However, around one in ten (8.5%) respondents are planning to make compulsory redundancies and almost one in 20 (4.5%) have plans to ask staff to take voluntary redundancy. Moreover, almost half our respondents are still weighing up their plans.

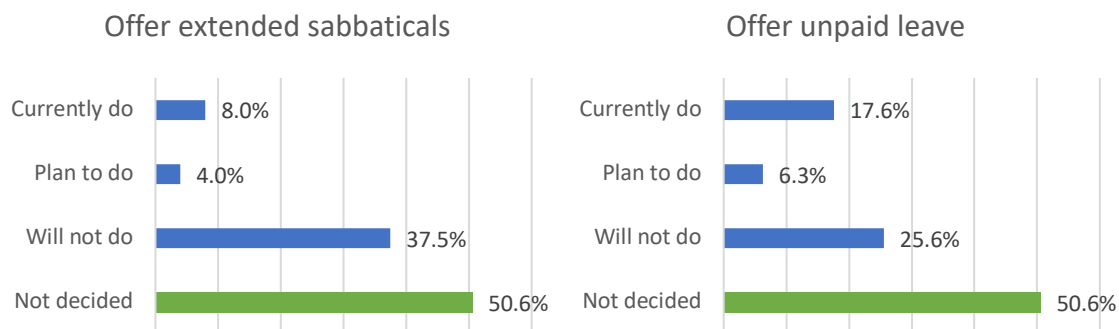
Breaking down these figures by industry also reveals some differences – in combination, almost a quarter (22.2%) of respondents in the engineering and construction, leisure and travel, and manufacturing and production sectors are planning compulsory redundancies.



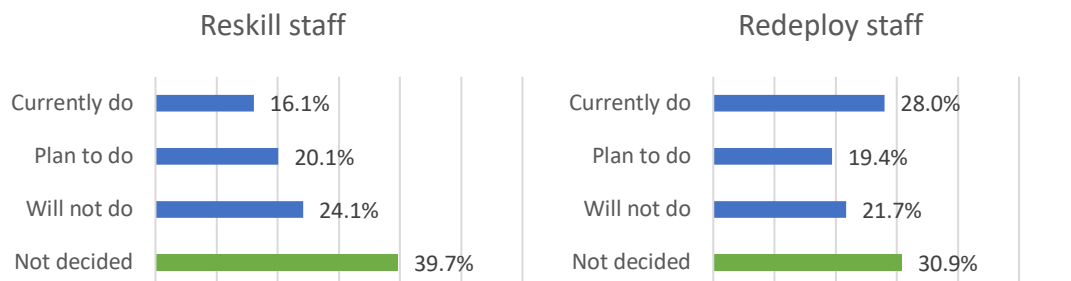
Few employers are currently recruiting staff – however, the overall figures here mask some industry variations. Taken as a whole, almost a quarter (24.0%) of respondents in the health and pharmaceuticals, retail, transport and logistics, and utilities and energy sectors are currently recruiting more staff – while just one in 20 (5.9%) firms in the combined engineering and construction, leisure and travel, and IT, media and telecommunications sectors are taking on new talent at this time.



Alongside the CJRS, some employers are offering extended sabbaticals or unpaid leave for employees. Sabbaticals can potentially last far beyond the minimum three-week period required by the Government’s furlough scheme, while offering unpaid leave may give employers more flexibility in terms of how long and how often staff can be brought in and out of work.



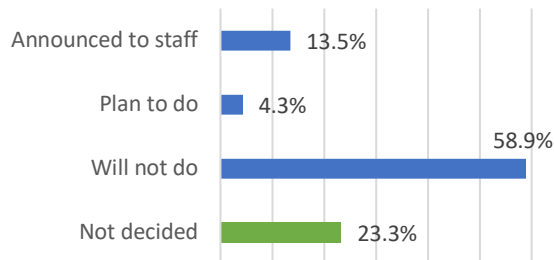
Many employers are looking to either reskill and/or redeploy their employees at this time, possibly with a view to filling gaps in the workforce where other staff have been temporarily furloughed.



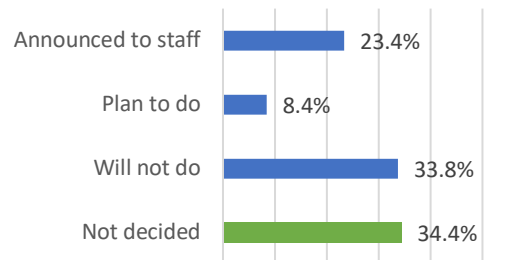
Pay decisions

More than one in ten (13.5%) respondents have agreed to pay cuts with their staff in response to the current crisis, while a third (33.8%) have opted not to proceed with pay rises as planned and just under a quarter (24.0%) have deferred their annual pay review. A handful of respondents (3.4%) have already opted to reduce their pay rises this year – while one in ten (10.5%) have cancelled their pay rises altogether.

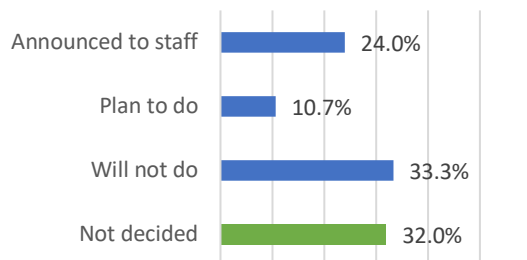
Agree pay cuts



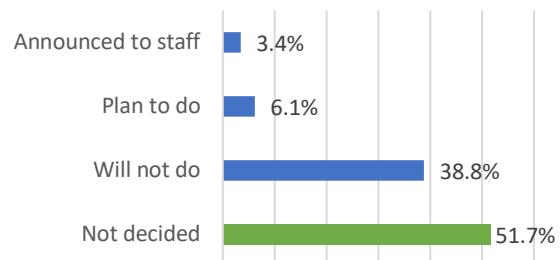
Proceed with pay rises



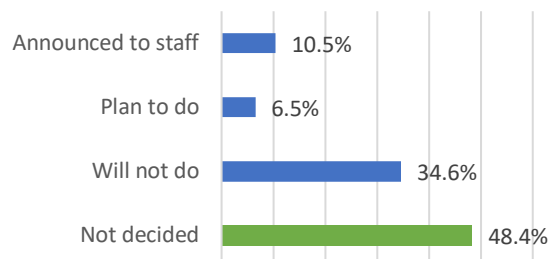
Defer pay reviews



Reduce pay rises

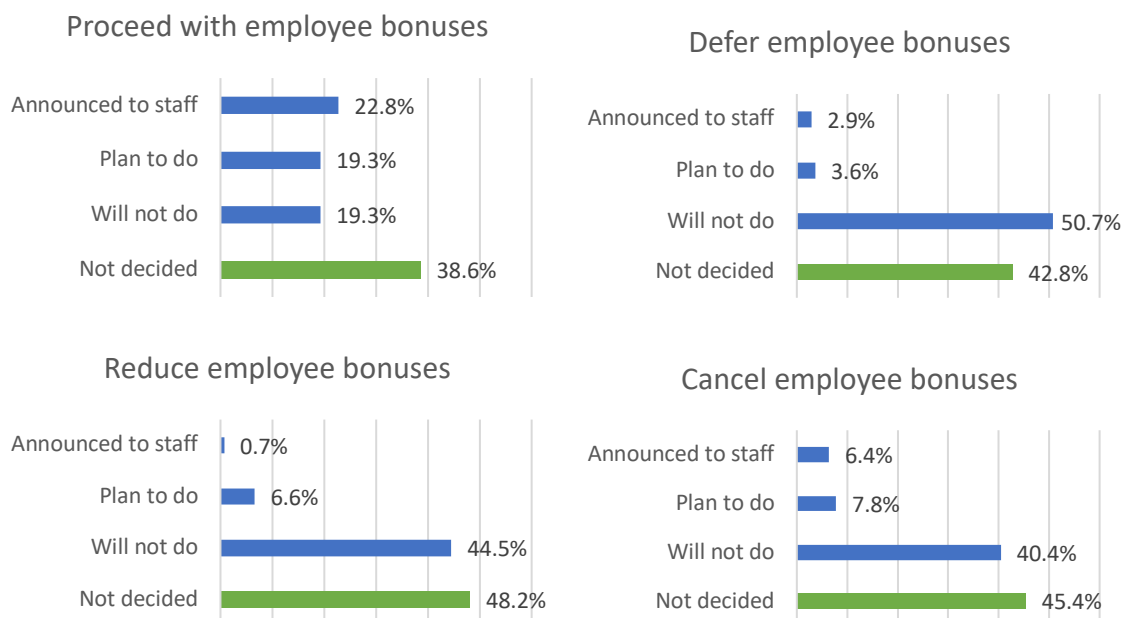


Cancel pay rises



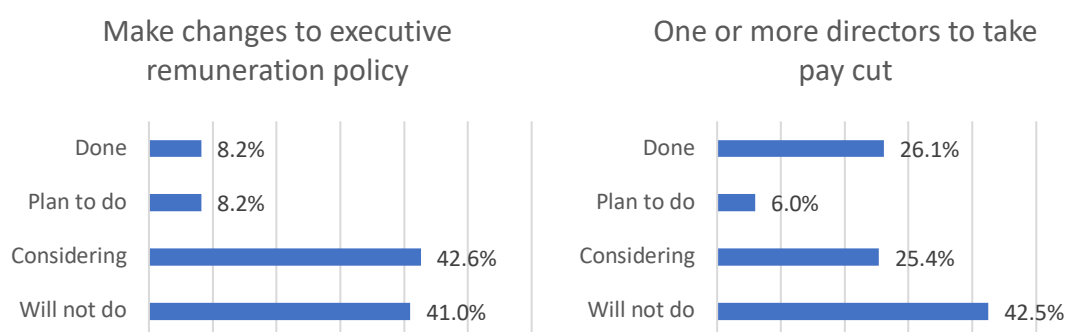
Bonus decisions

Employee bonuses have not been hit as hard as pay – almost a quarter (22.8%) of respondents have already announced to staff that their bonuses will proceed as planned, while a further one in five (19.3%) plan to do so. Just a few have so far opted to defer employee bonuses (2.9%), reduce them (0.7%) or cancel them altogether (6.4%).

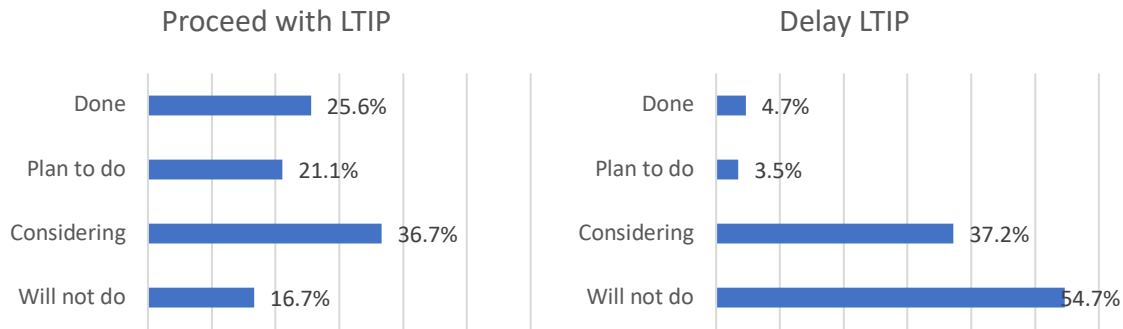


Executive remuneration decisions

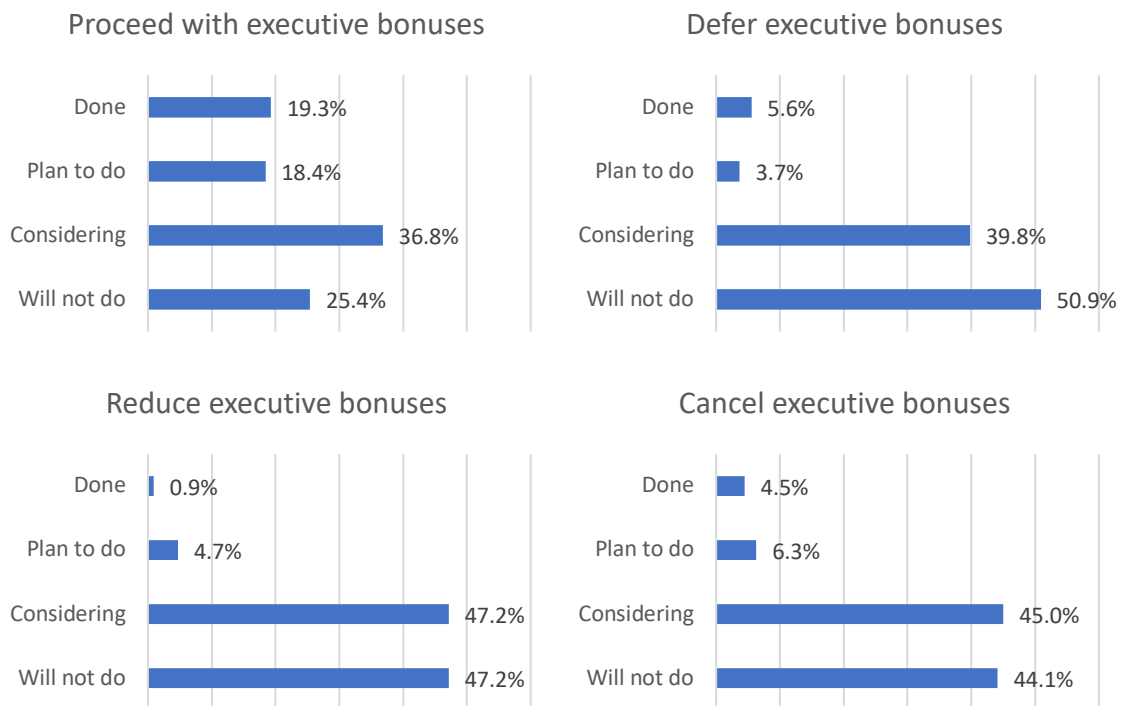
Fewer than one in ten (8.2%) respondents have so far made changes to their executive remuneration policy as a result of the coronavirus pandemic, although just over a quarter (26.1%) organisations have seen one or more directors take a pay cut.



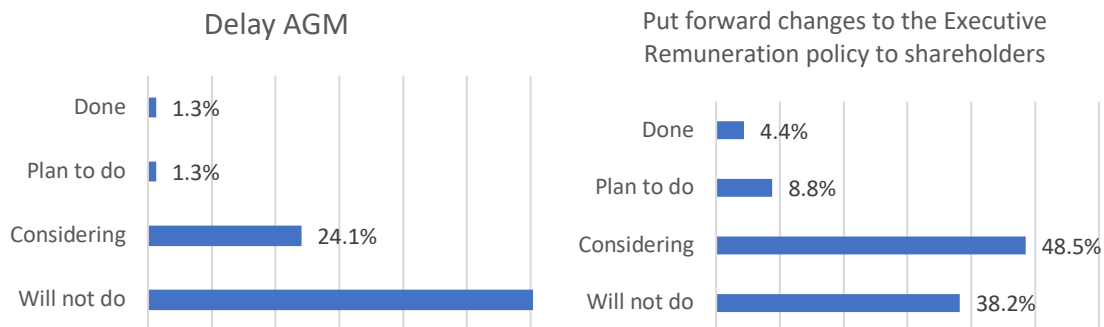
Long-term incentive plans (LTIPs) have not been significantly affected by the current crisis, with almost half (46.7%) of respondents already proceeding or planning to proceed with their LTIP as planned and fewer than one in 20 (4.7%) so far opting to delay it.



Executive bonuses, like those of other employees, have so far come through the crisis relatively unscathed – with few respondents choosing to defer (5.6%), reduce (0.9%) or cancel (4.5%) their payments so far.

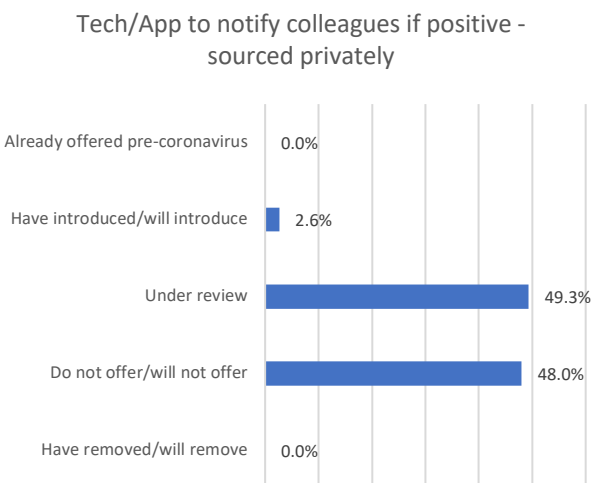
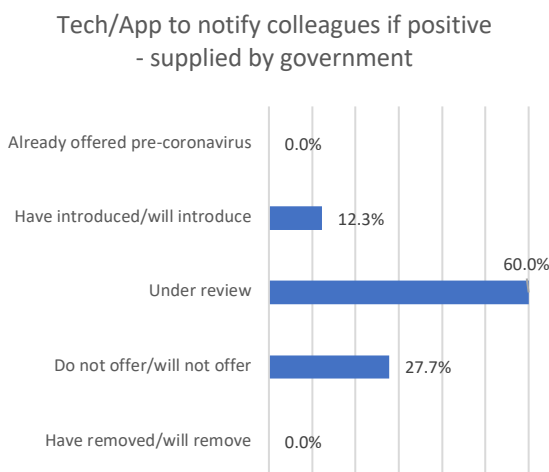
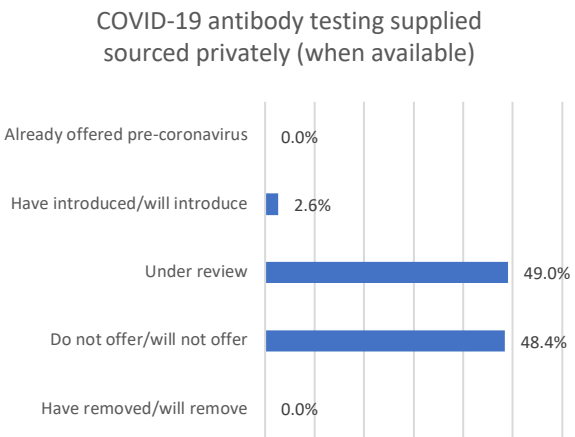
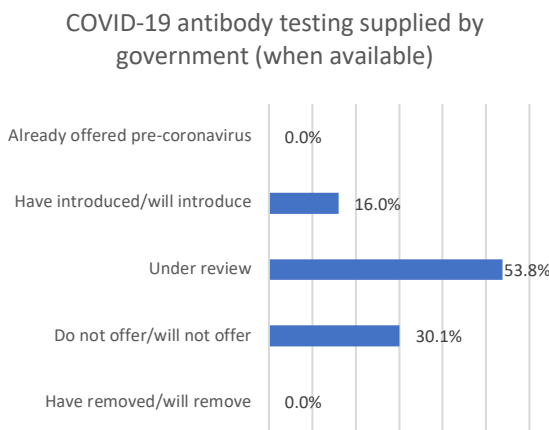
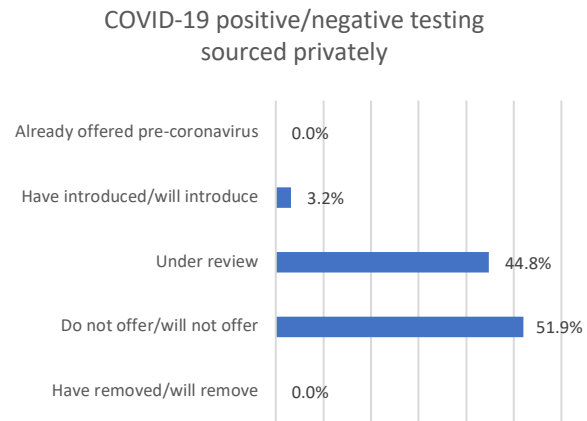
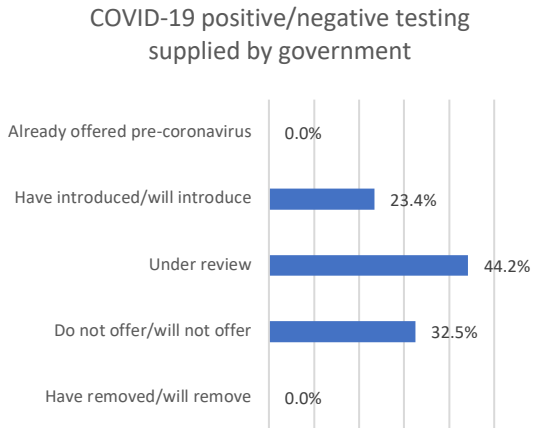


Communications with shareholders have so far not been significantly impacted by the current crisis – just one or two respondents have chosen to delay their AGM and fewer than one in 20 (4.4%) have put forward changes to their Executive Remuneration policy to shareholders.



Impact on employee benefits – COVID-19 testing

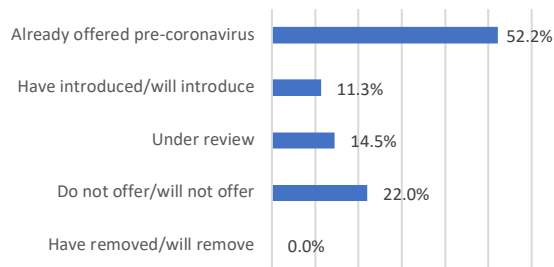
Employers are much more likely to be planning to source COVID-19 diagnostic tests, antibody tests and any contact tracing app from the government than from private suppliers, with almost a quarter (23.4%) planning to offer the Government’s diagnostic test to employees. (Note: this survey was carried out before the trial of the Government’s ‘contact tracing app’ was launched on the Isle of Wight.)



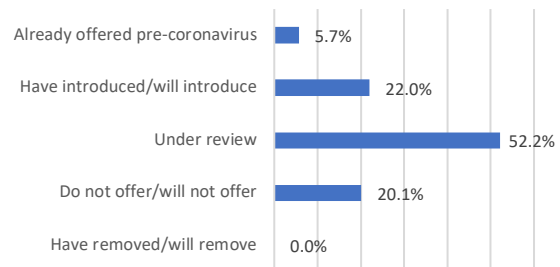
Impact on employee benefits – wellbeing

Almost a quarter (22.0%) of respondents are planning to introduce face masks for their employees to use in response to the current crisis, while a further one in ten have either introduced or are planning to introduce virtual GPs (11.3%) and/or alternatives to public transport for employees to commute in and out of work (10.8%). Just over one in ten (12.0%) have introduced or plan to introduce a mental wellbeing app to provide support for employees.

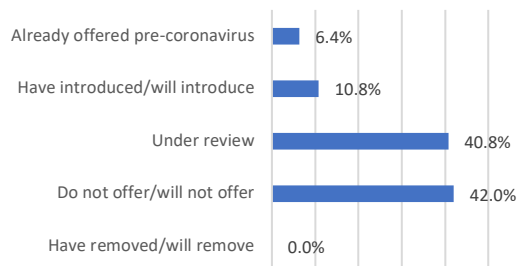
Virtual GPs



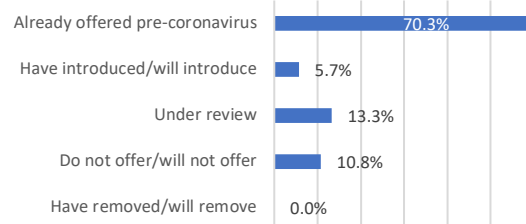
Face masks



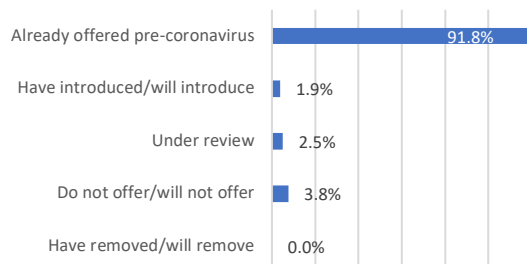
Alternatives to public transport



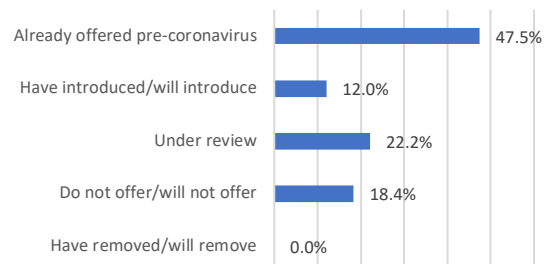
Bereavement and/or trauma counselling



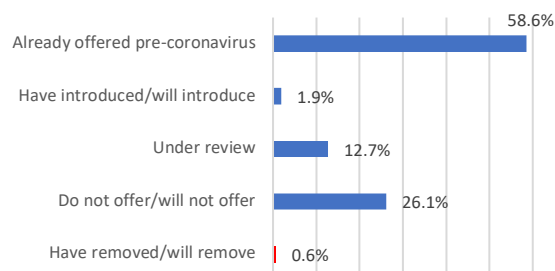
Employee Assistance Programme



Mental wellbeing app



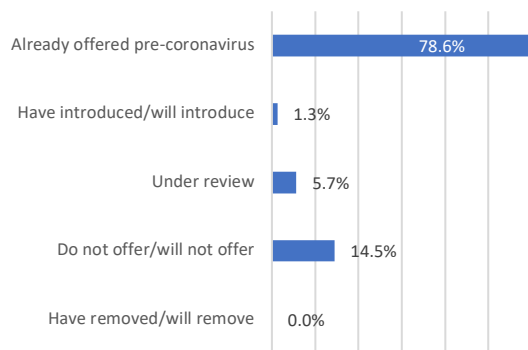
Annual leave sell/purchase



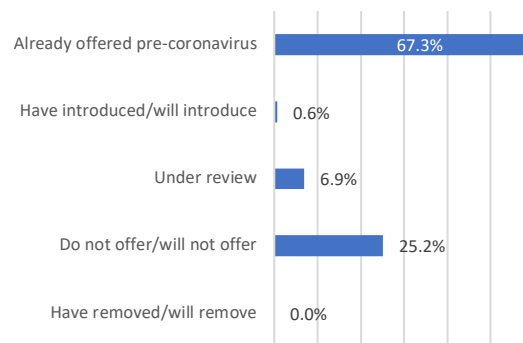
Impact on group insurances and health products

The current crisis has had minimal impact on the group risk products offered by our respondents, with just a handful planning to introduce or currently reviewing the provision of benefits such as private medical insurance, income protection insurance, life cover, critical illness cover and health cash plans.

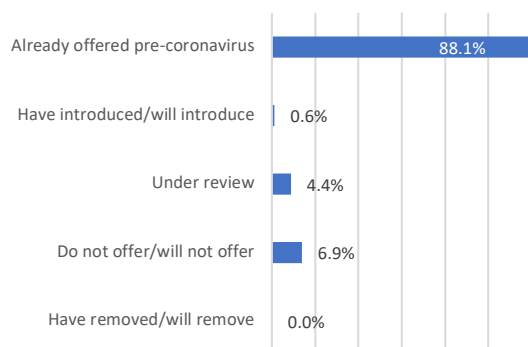
Group private medical insurance



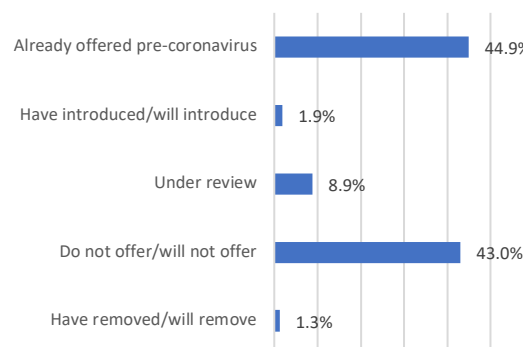
Group income protection



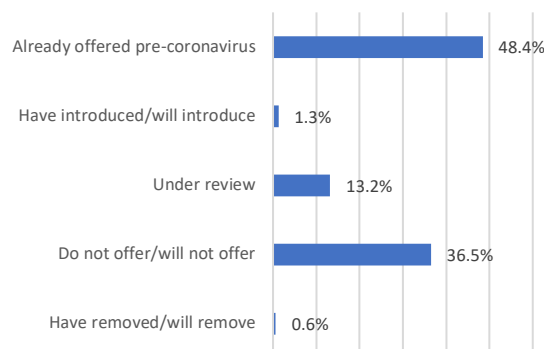
Group life cover



Critical illness cover



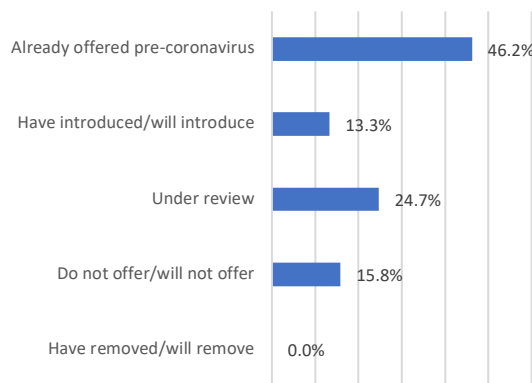
Health cash plan



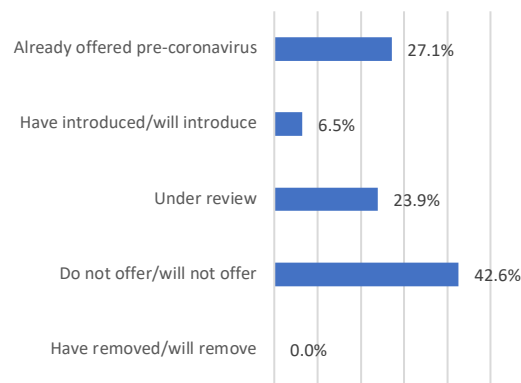
Impact on employee benefits – financial wellbeing support

Around one in eight (13.3%) respondents have introduced or are planning to introduce financial education for employees in response to the coronavirus crisis. Fewer than one in ten (7.6%) are offering or planning to offer additional pension support for pre-retirement employees. Pension contributions and employee share plans have not been impacted.

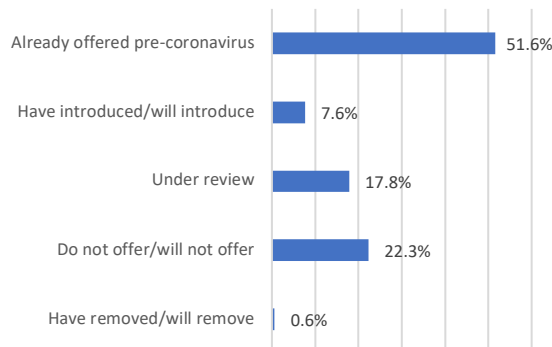
Financial education



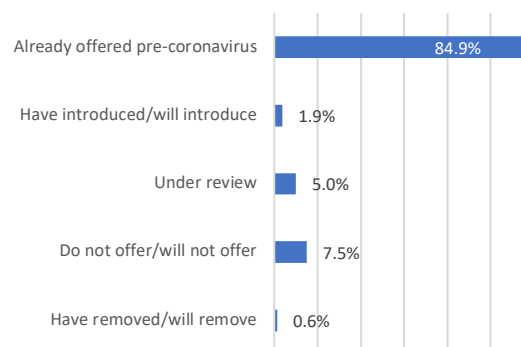
Financial advice



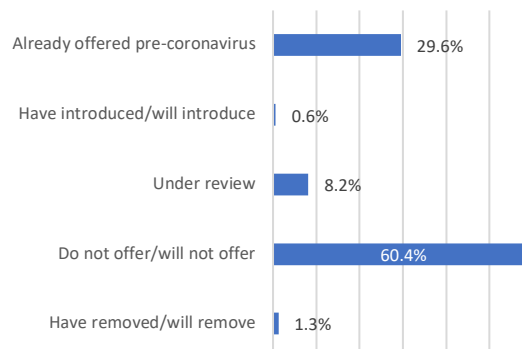
Pension support for pre-retirement employees



Pension contributions above statutory minimums



Employee share plans (eg Sharesave or Share Incentive Plan)



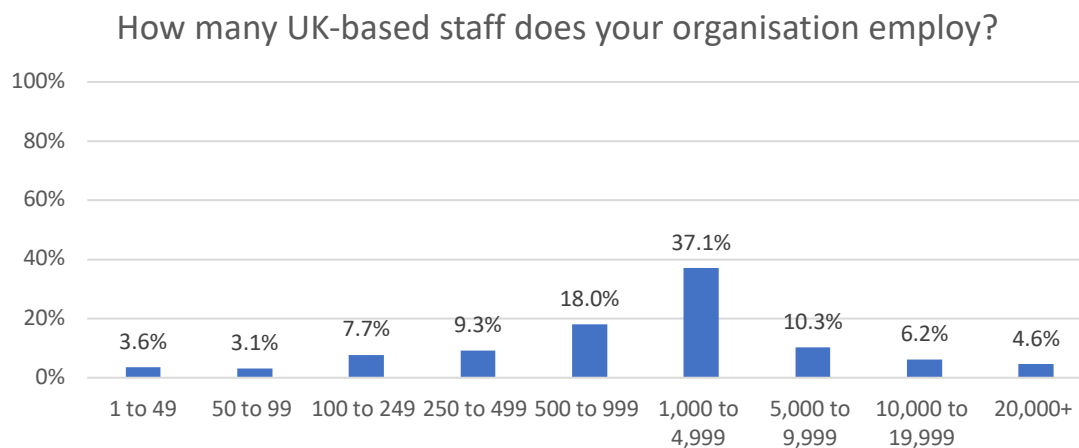
Physical, mental, financial and social wellbeing

Our respondents told us about a variety of other measures they have introduced to provide support for employees' physical, mental, financial and social wellbeing at this time. These include:

- “A full wellbeing programme, including yoga classes, life drawing and painting, book clubs and a range of other activities centrally coordinated by the People team.”
- “Global online wellbeing activities - yoga, singing, sports challenges - to help employees engage as a single team irrespective of location.”
- “Articles on working from home, guidance documents delivered to managers and colleagues, greater team meetings through MS Teams and fun activities online.”
- “Launched a recognition platform with e-cards specific to coronavirus situation – the feel-good factor around this was much needed at this time and has helped staff feel more connected.”
- “Taking advantage of free offerings from suppliers. We have planned a programme of information of sources of help available on physical, social, financial and mental wellbeing over the coming four weeks.”
- “We have leveraged our mental health first aiders at this time and we have offered bitesize virtual briefings via MIND to colleagues on resilience and mindfulness.”
- “Staying in close contact with staff on furlough to keep in touch. HR in contact with vulnerable staff on regular basis to offer support and a newsletter issued every two weeks with fun activities and news of colleagues.”
- “We've extended our Virtual GP to employees' dependants.”

About the survey

This survey had 194 responses from employers, representing an estimated collective total of almost one million workers.



It took place between 2pm on 28 April and 10am on 5 May 2020. It was conducted by the Reward & Employee Benefits Association among its 2,000 Professional Members.

Responses primarily represent medium to large workforces:

- 58.2% of responding businesses had more than 1,000 employees
- 27.3% had 250-999 employees
- 77.8% are private sector employers
- 49.0% employ key workers (as officially defined by the UK Government)

REBA would like to thank its contributing members who took part:

A.P.Moller-Maersk, Aberdeen International Airport, Achilles Information Ltd, ACO Technologies plc, Aegon UK, Affinity Trust, Ageas Insurance, Aggregate Industries, Aggreko plc, Air Partner, Airbus, Anaplan, Anglian Water Services, Anthony Nolan, Ardagh Group, Arla, Arup, AS Watson, ASOS, ATS Euromaster, AWE plc, Balfour Beatty, Barclays, Battersea Dogs & Cats Home, Belron UK, BGL Group, Blackpool and The Fylde College, Blue Cross, BNP Paribas, BOC, Bombardier Transportation, BP, British Medical Journal, British Transport Police, Browne Jacobson LLP, Calderstones School, Capula Investment Management, CDK, Charles Stanley, Chartered Management Institute, Chrysaor E&P Services, City & Guilds Group, Civil Service Employee Policy, Clear Channel, Colgate-Palmolive, Commonwealth War Graves Commission, Computershare, Connect Group plc, CooperVision, Covea Insurance, Cushman & Wakefield, DAC Beachcroft, Del Monte, Diageo, Discovery Communications, Domestic & General, Donnington Grove Vets, Doosan Babcock, easyjet, Edgewell Personal Care, Eisai Europe Limited, Ferguson plc, Financial Reporting Council, FOS, Gallagher, Gerald Eve LLP, Getronics, GFG, GoDaddy, Gregory Distribution Ltd, Hasbro, Havas Media Group, Healys LLP, Hexcel, Hill Dickinson LLP, Hilton Worldwide, Hoare Lea LLP, Home Office, Hornby, Hymans Robertson, IHG, IHS Markit Ltd, IKEA, Imagination Technologies, innocent, ITN, John Lewis Partnership, Johnson Matthey, Kellogg, Kent County Council, Lendlease, Linklaters, Low & Bonar PLC, Manchester United, Marks and Spencer Plc, Marriott Hotels, Marston's, Mayflower Theatre, Mazars, McCain Foods, Mencap, Midland Heart, Mimecast, Molson Coors Beverage Co, Mondelez, MOSL, MS Amlin, Muller UK & Ireland, National Trust, Natixis, New Look Retailers, NewDay, Nomad Foods, Norgine, NOV, NSPCC, NTT DATA, Ocado, Office for National Statistics, Palletways (UK) Ltd, Personal Group, Port of Tyne, QCG, Quartz, QVC UK, Rathbones, RBWM, Real Estate Management, Reckitt Benckiser, Reem Hospital Abu Dhabi, Refinitiv, RGP, Richard Alberto HR Consultancy, RICS, Robin Hood Energy, Rolls-Royce, Romero Insurance Brokers, Rotork Plc, RSPCA, Sanctuary Group, SAP, SATCoL, Save the Children UK, ScottishPower, SDL Plc, Sensata Technologies, Shell International, SIG plc, Skanska UK Plc, Sky, Skyscanner, Sovereign Housing Association, St James's Place, Standard Life Aberdeen, STV, Sunrise Senior Living, Superdry, Systemiq Earth, Taylor Wessing LLP, THB Group Ltd, The Social Element, The University of Salford, The Very Group, The Walt Disney Company Ltd, Thirteen, Three UK, TLT LLP, TT Electronics, UCB, UKRI, Uniper UK, United Health Group, Universal Safety, University of Lincoln, Uppingham School, UTB, Value Retail, Versus Arthritis, Victrex, Virgin Active, Virgin Atlantic, VMware, VWFS, W.R. Berkley, Webhelp, Wellcome Trust, West Midlands Combined Authority, William Hill, Wolverhampton Wanderers Football Club, Worley, WWA, XPO Logistics, Zappar, ZSL.

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