

Virtual/Hybrid Working CHRO event

January 2021



We see three workstreams for reward

Short-term actions - the here and now

- Wellbeing focus
- CJRS
- Workforce planning
- Pay freezes
- Bonus?

Medium term changes - preparing for blended working

- Targeted pay adjustments
- London weighting?
- Home office set up
- Cost reduction on reward spend
- Choose your working pattern

Longer-term transformation - rewriting the reward rulebook

- Customisation of the deal
- New world EVP
- Location agnostic working
- Gig reward

Changes underpinned by cost, fairness and transformation....

Short-term actions - the here and now



12% of

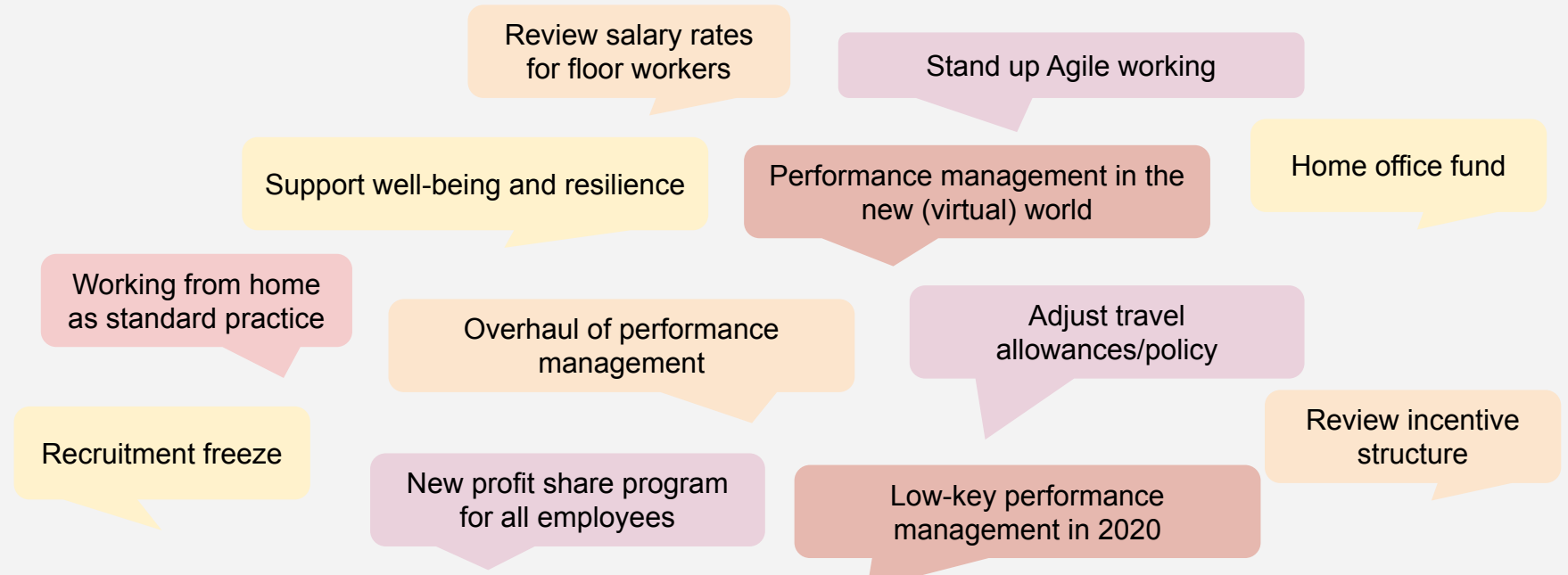
companies **deferred pay increases** until later in the year

22% of

companies planned to **cancel, reduce or pay bonuses in a different way** for employees for FY20

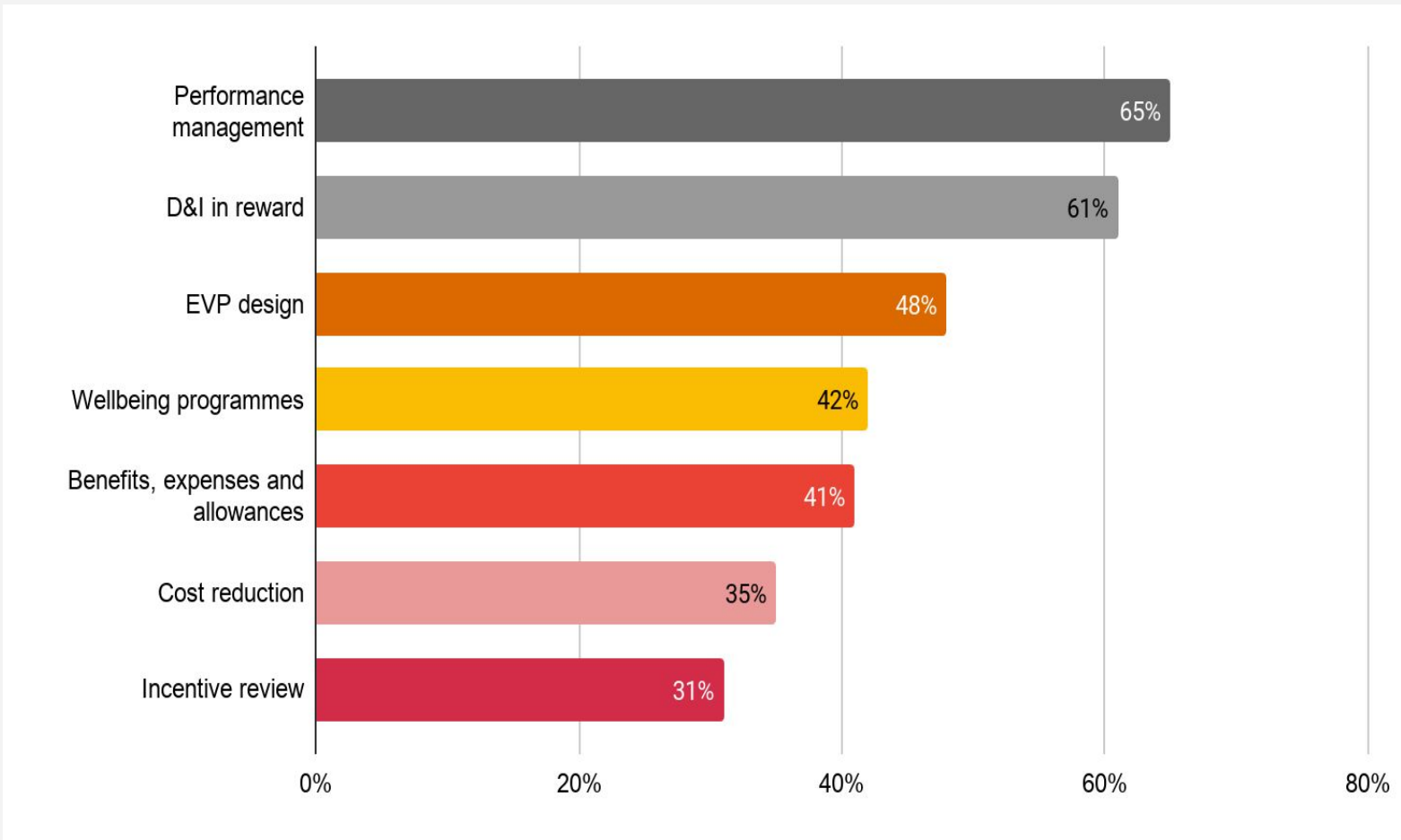
85% of

companies were investing in additional **wellbeing support**



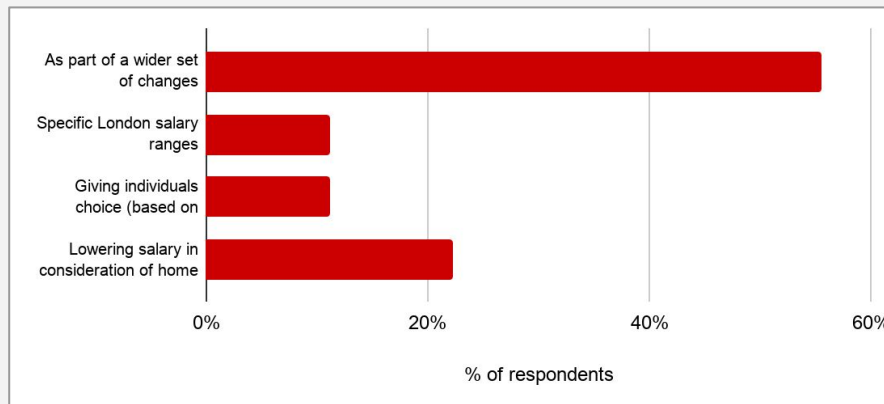
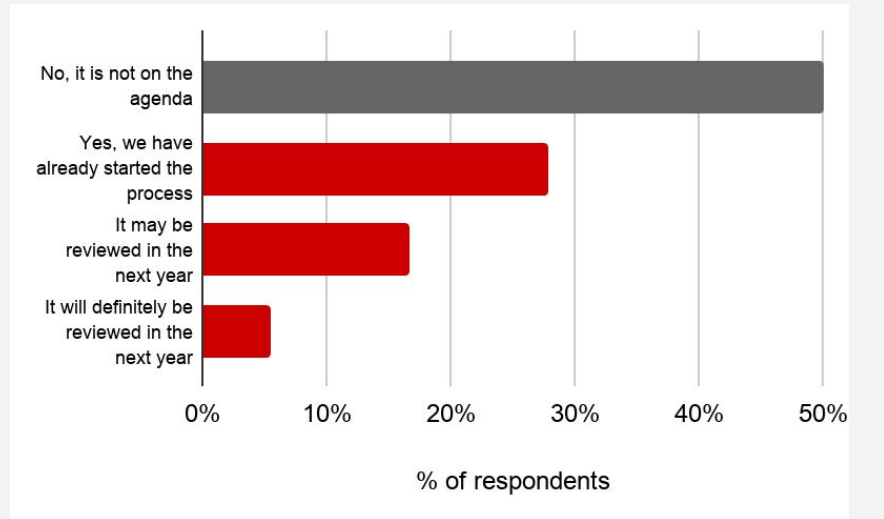
Source: PwC UK Compensation Network (October 2020)

The medium term - preparing for blended working



Source: PwC UK Compensation Network (October 2020)

We asked about London weighting and regional pay



The long-term - rewriting the rulebook



Do we get value from the annual bonus?

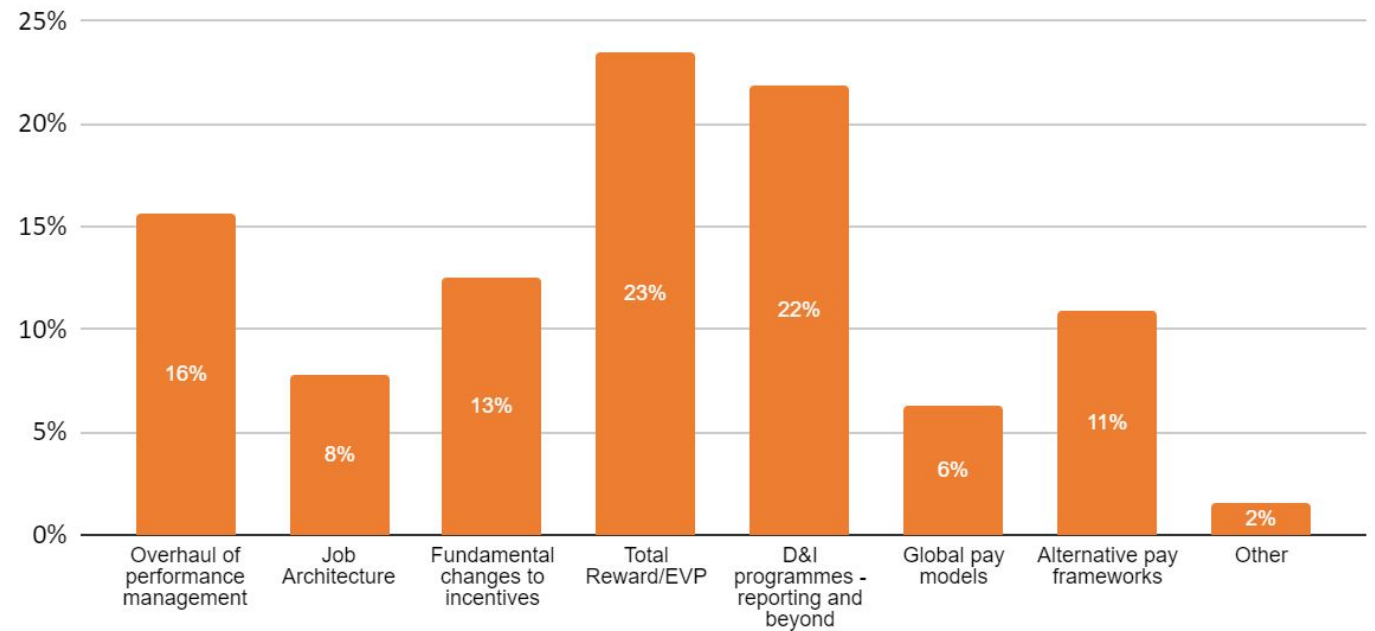
Should we customise reward for different groups?

Can we create a new model for global working?

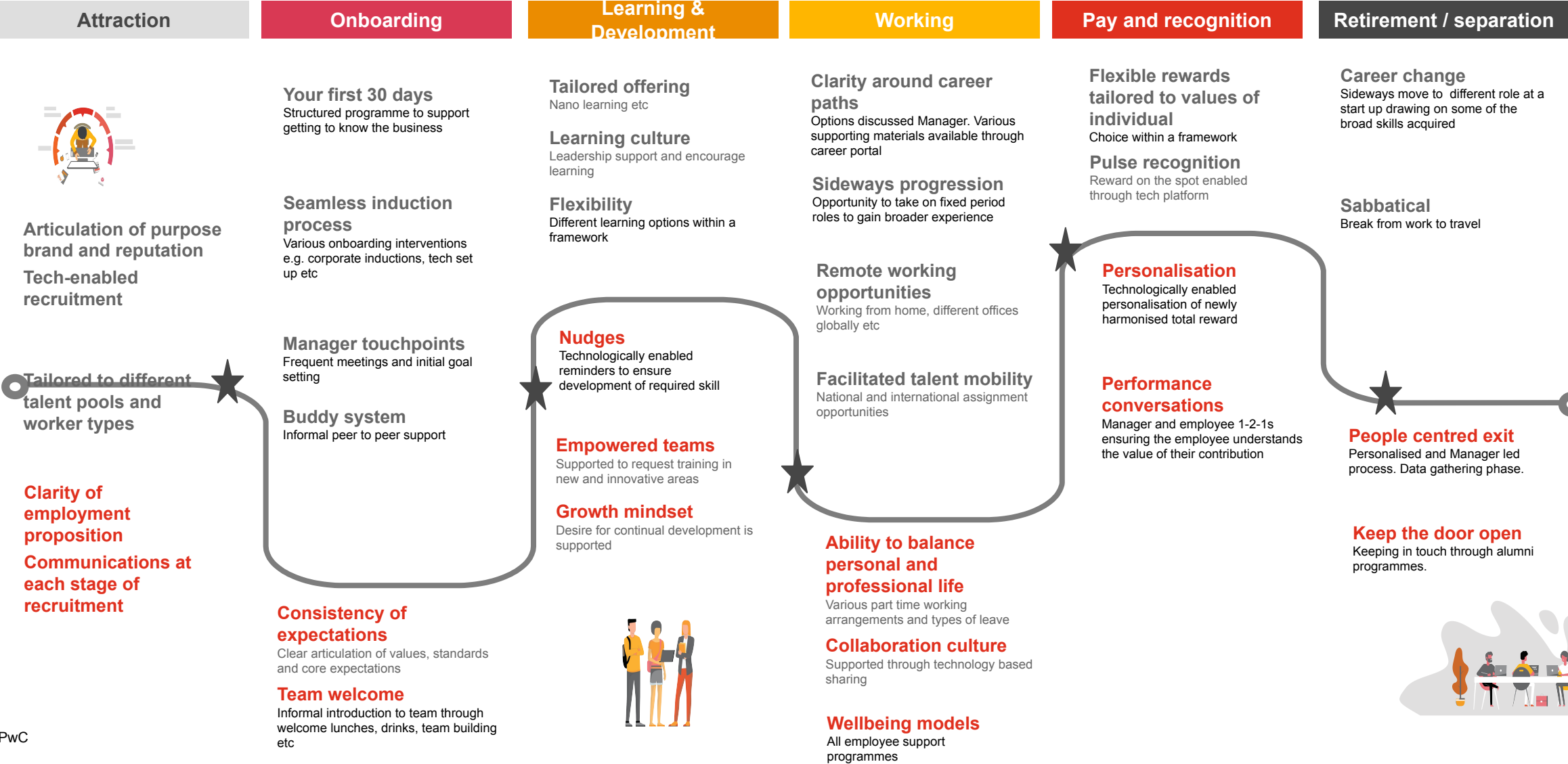
Should we look at output based reward?

How do rethink flexible reward - a sort of drawdown account

What areas are on the horizon for bigger long-term changes to reward?



Driving productivity and engagement through personalisation



How we might think about costs?



Current challenges organisations are facing

High degree of **uncertainty**

Immediate **cost pressures**

Restructuring to create agility

Compliance with government **policy changes**

Levers we can focus on to deliver cost reductions

Short term - high value

- Furloughs, unpaid leave, redundancy
- Reduce contingent labour spend
- Reduced hours or pay
- Sabbaticals
- Defer pay-rises
- Redeployment
- Shift from cash to non-cash reward

Long term - high value

- Org. and work redesign
- New tech / automation
- Process improvement
- Enable work from lower cost-base geographies
- Review permanent-temporary labour mix
- Introduce new contracts

Short term - low value

- Freeze hiring / postpone start dates
- Contract revision
- Cross-org talent exchange
- Eliminate extra paid holidays / fringe benefits
- Employment tax deferral opportunities
- Alternatives to cash funding of pensions

Long term - low value

- Realign total rewards mix
- Lower-cost shared services model
- Early retirement program
- Repatriate expat employees
- Reduce pay rises
- Workplace re-configuration

What organisations need to be able to support in the future

A **leaner** and more **agile** approach

Greater **fairness and consistency** in how people are rewarded and managed

Focus on **maintaining access to required skills**

New workforce models and increasingly **dynamic employment propositions**

Virtual Organisation Winter series Seminar - Reward: benefits

2020



Key contacts



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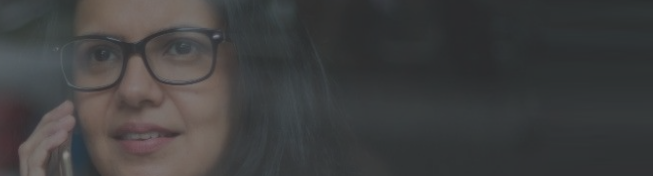
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Do your Benefits really benefit your employees in a virtual world?

What's changing?



Traditional benefits

- Pensions
- Life assurance (death in service)
- Income protection
- Medical insurance (or cash plan)
- Employee assistance programme (EAP)

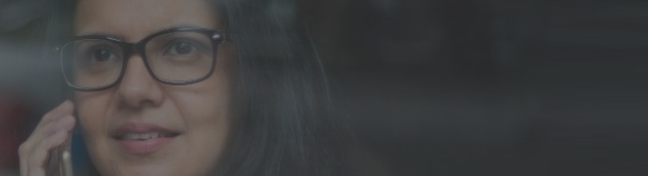
Flex / voluntary benefits

- Dental insurance
- Personal accident
- Travel insurance
- Critical illness
- Virtual GP
- Health screening
- Gadget insurance
- Shopping discounts
- Optical benefit
- Partner life assurance
- Partner health screening
- Dining card
- Salary advance / loan

Wellbeing / other benefits

- Holiday trading
- Gym discounts
- Give as you earn
- Relocation / mortgage advice
- Eye test vouchers
- Flu vouchers
- Cycle to work
- Financial wellbeing / education
- Season ticket / travel loans

What we are seeing so far...



Traditional benefits

- Pensions
- Life assurance (death in service)
- Income protection
- Medical insurance (or cash plan)
- Employee assistance programme (EAP)

Flex / voluntary benefits

- Dental insurance
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- Optical benefit
- Partner life assurance
- Partner health screening
- Dining card
- Salary advance / loan
- “Physio / MSK cover”
- “Counseling / therapy cover”

Wellbeing / other benefits

- Holiday trading
- Gym discounts
- Give as you earn / hardship fund
- Relocation / mortgage advice
- Eye test vouchers
- Flu vouchers
- Cycle to work
- Financial wellbeing / education
- Season ticket / travel loans
- Wellbeing apps / allowance
- Carers / elder care support
- Virtual fitness classes / apps
- Skills / training
- Lifestyle time-off
- WFH allowance / equipment

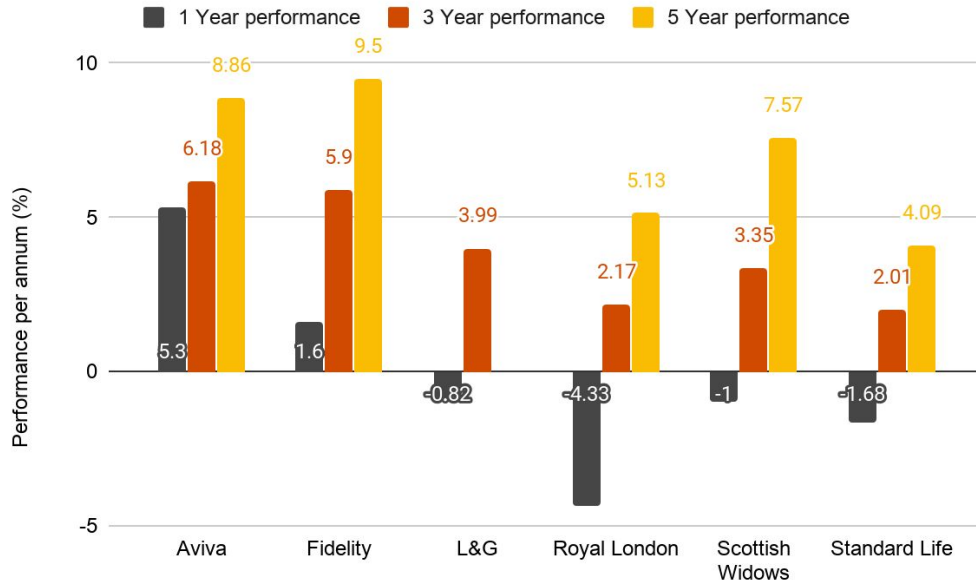
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Challenges

Financial challenges

~ Significant impact on pension investments

The graph below shows the annualised performance of the providers' 'growth' funds over a 1, 3 and 5 year time horizon. Performance as at 30 June 2020. *Please remember, past performance should not be considered as a reflection of potential future returns.*



Recent market movements

- The recent events with Covid-19 have weighed significantly on financial markets, and has therefore impacted pension fund return
- February and March 2020 were the most volatile months, and providers' default investment strategies experienced falls of between 16% to 21% over the period from 3 February 2020 to 20 March 2020.

Financial challenges



~ Impact on services levels from pension providers and administrators

Transitioned to working from home

Accessing non-electronic records and processes

Employees used this as an opportunity review their personal financial situation

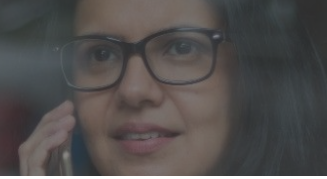
~ Employees accessing their pension funds earlier than expected

Access to cash to support during hard times

Retiring early due to furlough or redundancy

A quarter of employees don't know whether their employer offers financial support or not*

Risk & healthcare challenges

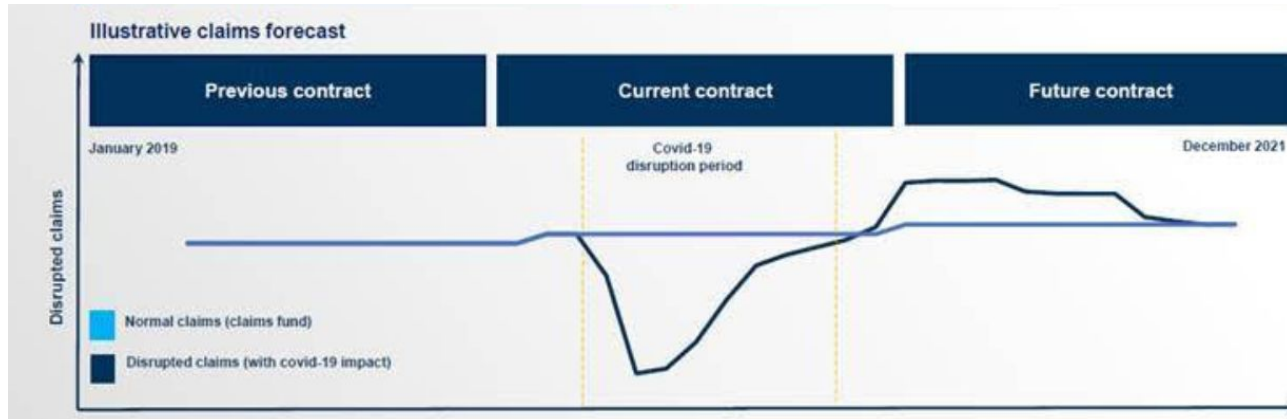


~ Increased desire for traditional benefits

Greater interest and uptake in life assurance and income protection

EAP / wellbeing services have been invaluable

Private medical claims are expected to normalised over 12-24 months



Risk & healthcare challenges



~ Impact on policy (T&Cs) and premiums

Policy clarifications or change to confirm if COVID is covered

Risk insurance providers favouring employers whose employees can work from home

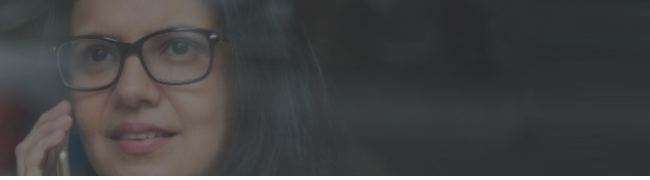
~ Need for 'new' benefits to support employees and their dependants

Clear gaps in UK Benefits provision which can support employees now and in the future - e.g. working from home allowance and equipment

Do you ask your employees? 36% of large employers (250+ employees) and over half of SMEs do not measure any staff appreciation of employee benefits*

*GRiD research, survey of 500 HR Decision makers

Wellbeing & other benefits



~ Employee wellbeing, health and safety is top of the agenda for the majority of UK CEOs

UK CEOs are significantly more focused on their employees' mental wellbeing, with 90% providing wellbeing support and initiatives (61% globally)*

93% of UK CEOs (92% globally) prioritised protecting employee health and safety over everything else*

*2020 PwC CEO Survey, August 2020

~ Don't forget the 'free' benefits

Engagement - communicating and educating employees about your benefits, including the add-ons (e.g. access to EAP)

Consider introducing non-monetary benefits - day-offs for birthday, dealing with financial affairs, encourage exercise during the day (extending lunch break)

Running in-house skills workshops or those offered by your benefit providers