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Webinar will start shortly

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Reward Strategy after the Pandemic:

Collective and Compassionate?
or Cost-cutting Carnage?

A Framework for Review & Renewal

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23 March 2021

Speakers



Noelle Murphy

Host
XpertHR



Duncan Brown

Independent adviser
and researcher

Poll

What, if any, changes are you planning to your organisation's pay and reward policies and practices in the coming 12 months, in light of learning from the pandemic?

None, we plan to revert to our pre-pandemic reward policies



Yes, we plan to make some minor but permanent changes to our reward policies once the pandemic is over



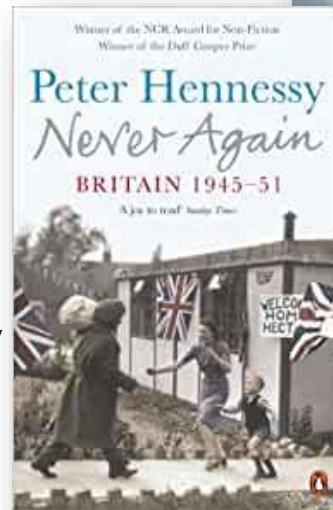
Yes, we are planning a new and different reward strategy post-pandemic



Total votes: 308

My aims and agenda this morning

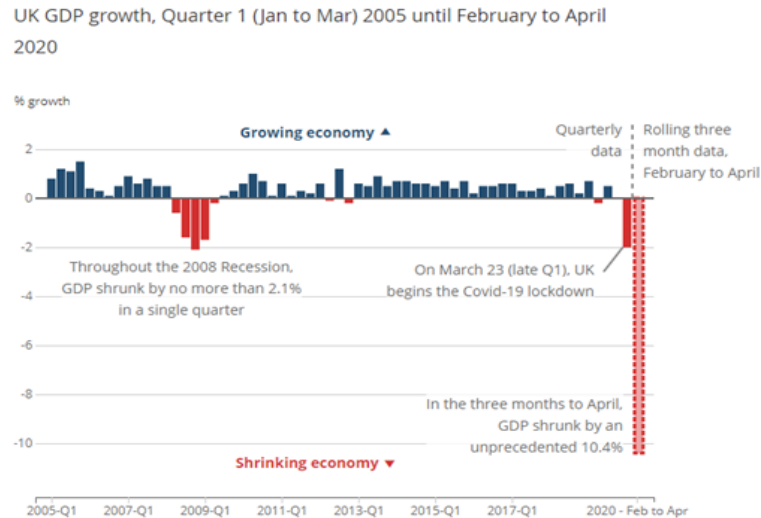
- Look at responses in reward policies to the pandemic
- Highlight some wider strategic reward questions raised by our experiences since last March
- Define some of the strategic reward choices **we do have**, key questions/decisions, however hard
- Indicate some of the pay and reward policies which might help to #buildbackbetter



Remember 12 months ago? “The fastest deepest economic shock in history” Prof Nouriel Robini



- Unprecedented fall of 4.9% in global output (IMF)
- But picture “less dire” than forecast, softened by \$9 trillion in fiscal support
- “For almost all countries this will be a setback to living standards”
- “As we embark on this long ascent, we are all joined by a single rope, we are only as strong as the weakest climbers” Kristalina Georgieva, MD of the IMF



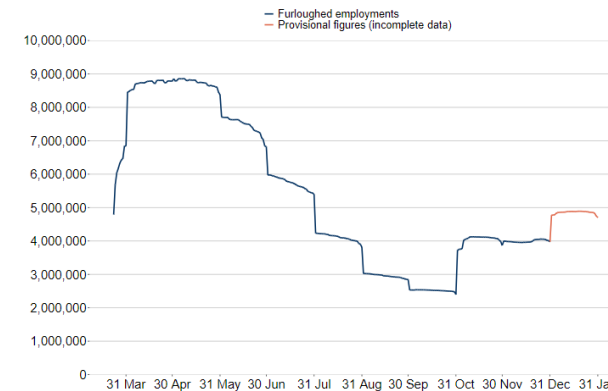
Source: Office for National Statistics



Lockdown, a second welfare state, the great “un-leveller”

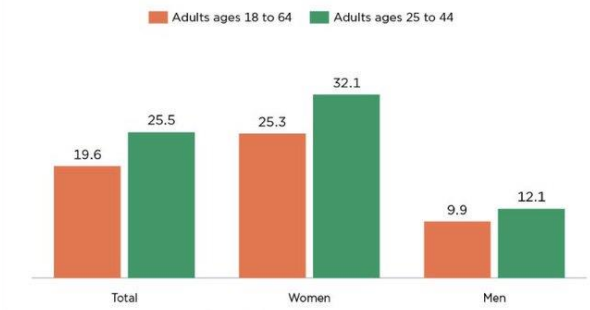
- Peak of 9 million people on furlough, 3 million in retail/hospitality, still 4 million end January
- 2.5 million self-employed on income support
- c.20-22 million people of 41 million “working”
- The fastest rise in UK unemployment benefits since 1920, 495,000 employment fall off Q2
- ILO estimates unemployment up 6.6% in the first half of 2020, est. global loss 495 million jobs in Q2
- Spain minimum income guarantee
- But effects not equally distributed...

Figure 1: Total employments furloughed, 23 March 2020 to 31 January 2021



Source: HMRC CJRS data

Percent of Adults With Children by Age Group Who Are Not Working Due to COVID-19 Related Child Care Issues



Note: The percentages reflect nonworking adults with children excluding those who are retired or not interested in working.
Source: U.S. Census Bureau, Household Pulse Survey (Week 12: July 16-July 21, 2020).

News

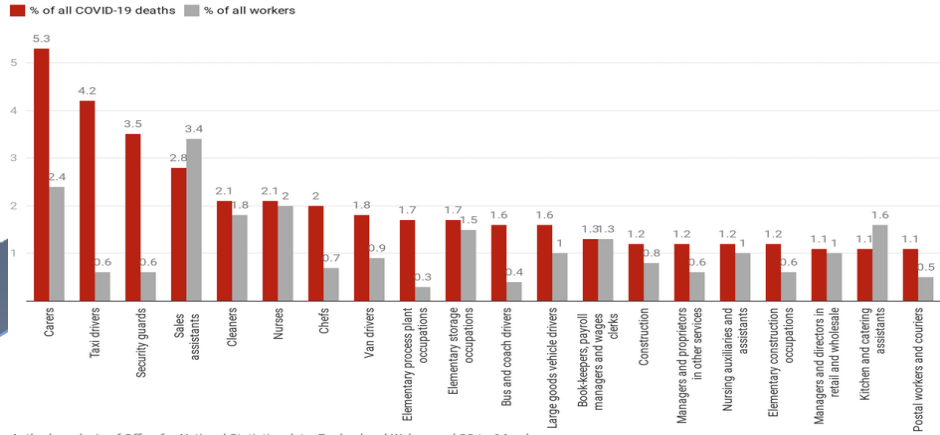
Disabled workers facing coronavirus 'jobs crisis', survey shows

27 Oct 2020 By Francis Churchill

Two-fifths of employers say being unable to support those with disabilities during the outbreak is a barrier to employing them

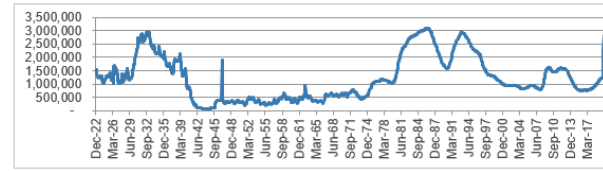


COVID-19 deaths in England & Wales by ONS job classification

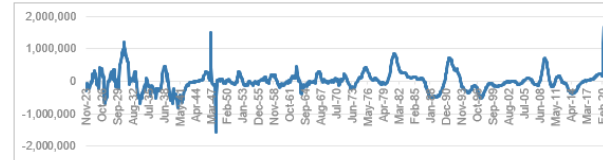


Author's analysis of Office for National Statistics data. England and Wales aged 20 to 64 only.
Chart: The Conversation • Source: ONS

Administrative and Claimant Unemployment, 1922-present

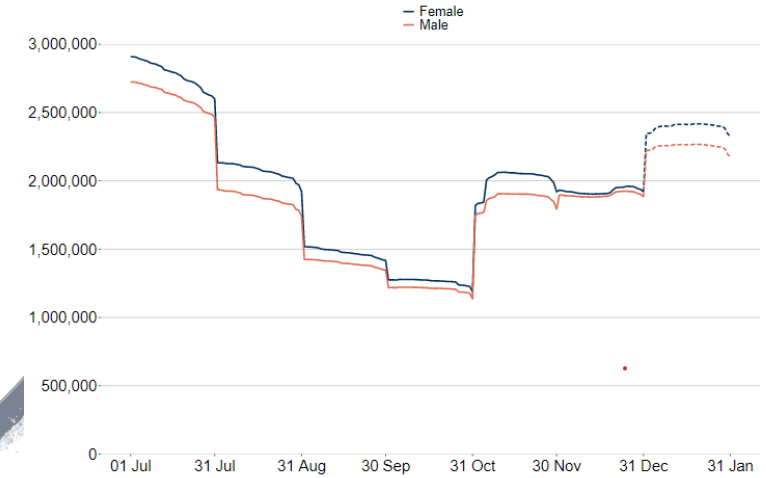


Year-on-year increase in claimant unemployment, 1922-present



Source: IES analysis of Bank of England and Office for National Statistics data. The figure presents Administrative Unemployment for 1922-1971, and the Claimant Count for 1971 onwards.

Figure 5: Total employments furloughed by gender, 1 July 2020 to 31 January 2021



Source: HMRC CJRS and PAYE Real Time Information data

FTSE 350

Women on boards:	33.3%
Board Positions Held by Women of Colour	2.9%*
Companies with <30% women on boards	119
Companies with >30% women on boards	232
Women at Executive Committee Level	20.8%**
Women at Executive Committee & Direct Report Levels	28.2%***
All-male boards	3
All-male Executive Committees	103
Percentage of Female Chairs Appointed 01 Jan – 31 Jul	28%
Female Chairs	35
Female CEOs	14
Female CFOs	47

* Source: Parker Review, Feb 2020
**excludes Investment Trusts
***Source: Hampton-Alexander Review, Nov 2019

With thanks to BoardEx for its ongoing support

BoardEx

IES analysis: “low-income workers are bearing the brunt of the pandemic... more likely to be women, lone parents, from ethnic minority groups and no qualifications.”

Commons WEC “no doubt that female employees have been disproportionately badly affected”. Risk of death for black men from Covid x2 white men.

- Sir Michael Marmot (Dec 2020) “Inequalities in health and conditions that lead to ill health have been amplified by the pandemic...the normal in February 2020 is not acceptable moving forward.”
- UN Women’s [new tracker](#): 42 countries no gender-sensitive responses to Covid. 25 countries (12%) comprehensive measures. “Despite the gendered implications of the crises, recovery efforts ignore the needs of women. We need to do better.”



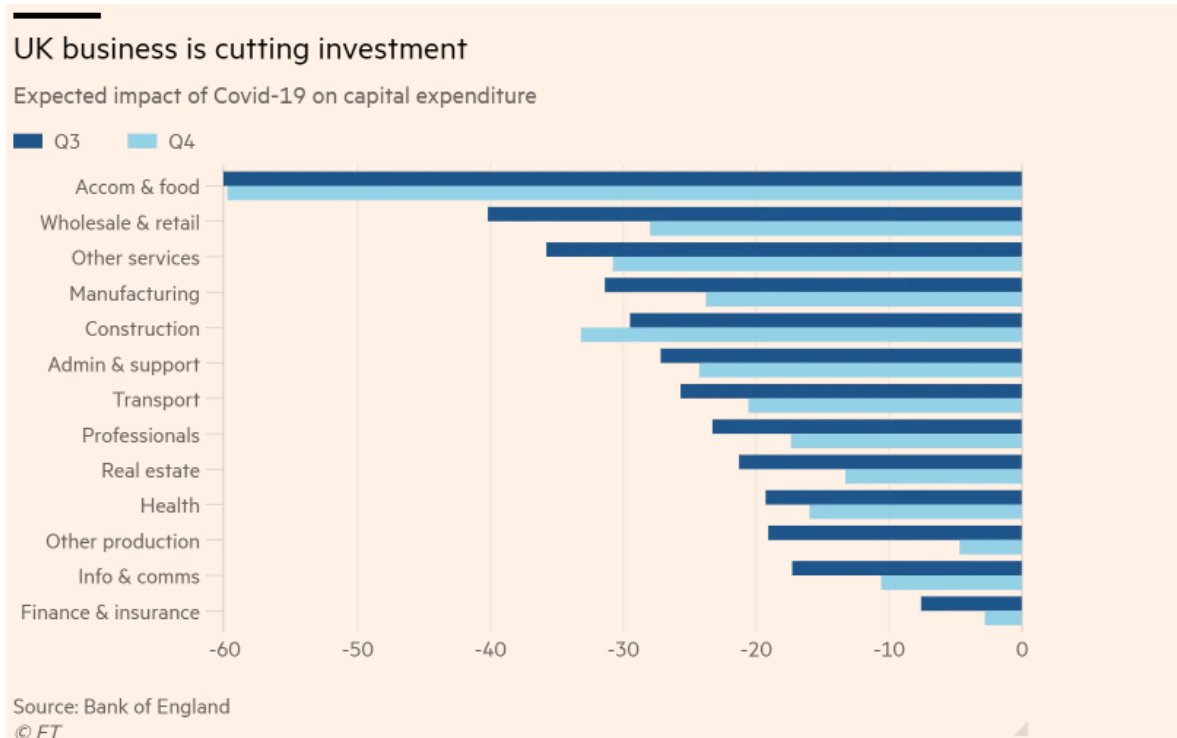
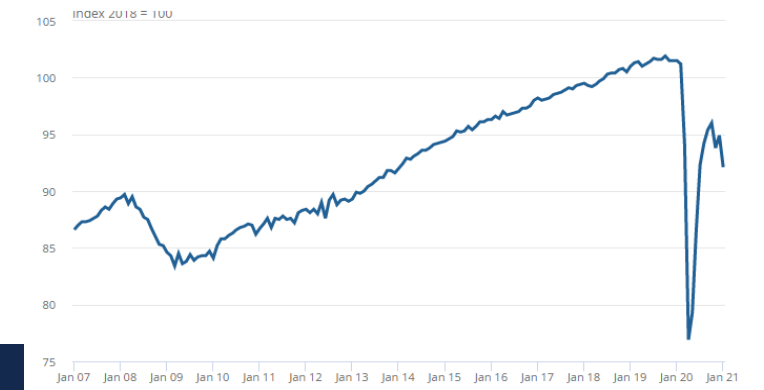


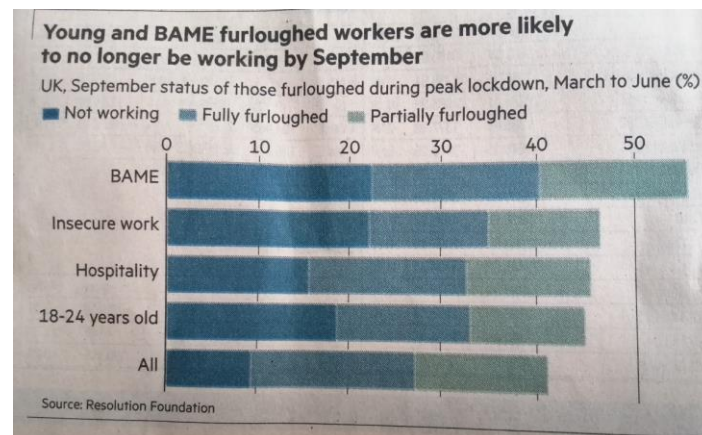
Figure 1: GDP fell by 2.9% in January 2021 as government restrictions reduced economic activity

Monthly index, January 2007 until January 2021, 2018 = 100



The future doesn't look great – cuts forecast, a new austerity?

- Oxford Economics forecasts 4% decline



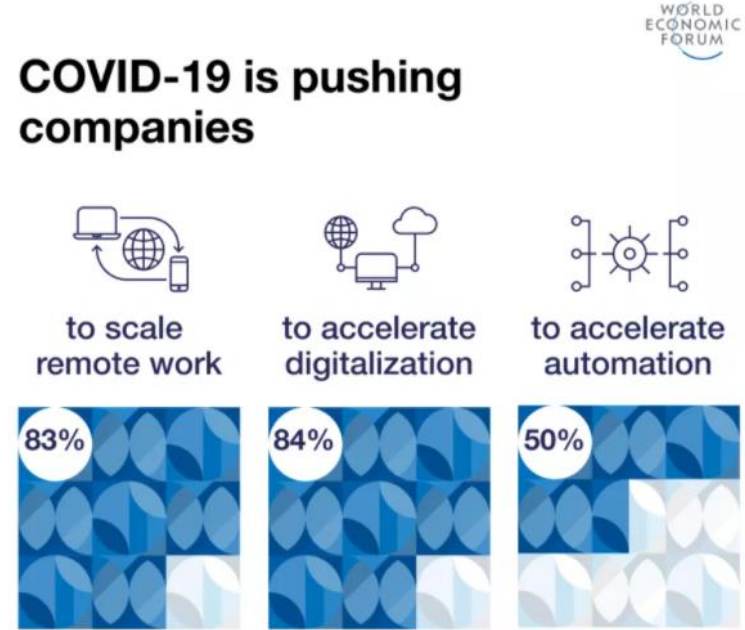
Requirements for new skills and reskilling intensified

(Source: WEF Future of Jobs report, October 2020)

- “Emerging technologies continue to reshape labour markets, and those trends have only accelerated with the onset of a new recession. Millions of workers worldwide are facing significant job uncertainty.”
- “In the absence of proactive efforts, inequality is likely to be exacerbated by the dual impact of technology and the pandemic recession. Jobs held by low wage workers, women and younger workers were more deeply impacted in the 1st phase of the economic contraction... the impact today is more significant and likely to deepen existing inequalities.”



Source: Future of Jobs Report 2020, World Economic Forum.



Source: Future of Jobs Report 2020, World Economic Forum.

The outlook on jobs and pay in the UK

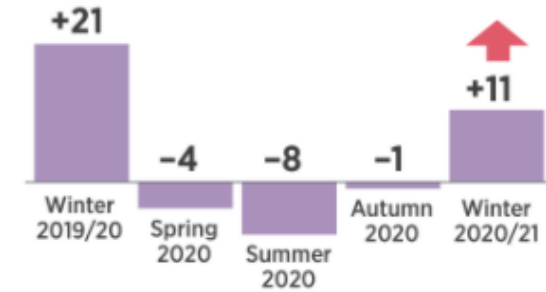
- Public sector “pay pause” announced in November 2020
- Ave earnings 3.6% January, NLW 2.2% April
- XpertHR 3 months to end February:
 - Median 1%
 - 80% lower than last year, a third pay freezes
- CIPD LMO February 22nd
 - Employment confidence back up +11%
 - 1% average forecast award

Chart 2: Reward priorities of employees as identified by employers

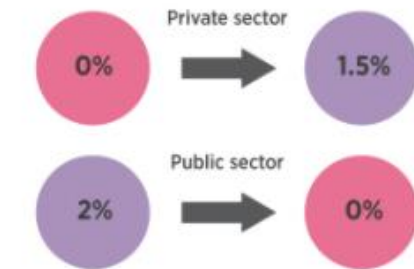


n = 131 organisations.
Source: XpertHR.

% of employers to make redundancies



Net employment score recovery



Pay trend reversal since last quarter

HR and Reward priorities shifted fast

- **Three phases of HR response**

1. Immediate: H&S, homeworking, pay/rec freeze
2. Intermediate: mental health, performance management
3. Future/permanent change: ?

- **HEC survey (October): HR priorities:** Health, Engagement, Performance, Costs, Digital Tools

- **XpertHR HR roles survey (2021, n=308)**

Accomplishments: “HR are true heroes: we just get on with it.”

- Maintaining performance while supporting employees
- Maintaining engagement
- Employee wellbeing - Home support - Furloughing

- **Priorities for 2021**

- Employee wellbeing - L & D
- Employee engagement - Dealing with Covid
- Winding up CJRS - New ways of working
- Diversity and inclusion



453 views | Oct 23, 2020, 10:27am EDT

COVID-19 KPIs: How The Global Crisis Is Forcing Top Managers To Revise Their Employee Strategy

HEC Paris Insights Contributor ©
Leadership Strategy



The way forward: A new beginning?

- *“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 create a more just and caring society?”*
Rabbi Lord Sacks,
- *“The situation is leading us to question the fairness of work and break old paradigms...We need to change many aspects of how we live, work and treat each other.”* CEO, CIPD
- *“The problems with prevailing models have been widely exposed by the pandemic: it should lead us to reassess the value of an effective welfare system, collective security and the value of keyworker roles”.*
Paul Johnson, IFS, May 2020
- *“There needs to be new social contract for business, a deal that works for all, not just the few”.* FT Editorial, April 2020
- 72% of the UK public think care workers are underpaid; 65% of us agree with a rise in income tax to fund this (Fawcett, 2020).
- “Respond, Recover, Reset: The Voluntary Sector and Covid-19” - NCVO, Mar 2021 (n = 600) “The pandemic’s impact continues to be ‘uneven and unpredictable.’”



Back to the UK normal?

- A decade of declining real incomes for most of the workforce restarting
- 5 million working for less than a real living wage
- Over a million workers on zero hours contracts
- Self employed incomes halving over the decade
- Top executive pay differentials increasing from 50x to 130x average earnings
- Sickness absence costing the economy £18bn
- 40% of the workforce unable to pay an unexpected bill of £500
- Majority of children in poverty living in working households
- Sick pay at £96pw and unemployment benefit of £342pm, recognised as untenable during Covid, so enhanced until April
- A quarter of tribunal awards simply not paid and hundreds of thousands not receiving the benefits they are legally entitled to like the NMW
- Women and BAMEs suffering disproportionately from economic recession and significant gender and ethnicity pay gaps
- The “Just-in-time” versus “Just-in-case” reward package needed?

Boohoo shares continue to drop following Leicester scandal

By Sahar Nazir - July 14, 2020



UK Parliament

Committees

UK Parliament > Business > Committees > Women and Equalities Committee > Unequal impact: Coronavirus (Covid-19) and the impact on people with protected characteristics

Unequal impact: Coronavirus (Covid-19) and the impact on people with protected characteristics

Inquiry

The Women and Equalities Committee is launching an inquiry. We want to hear about the different and disproportionate impact that the Coronavirus – and measures to tackle it – is having on people with **protected characteristics** under the [Equality Act](#).

[Find out more information](#)

We have launched three sub-inquiries on the impact of Coronavirus (Covid-19):

- [Coronavirus and BAME people](#)
- [Gendered economic impact](#)
- [Disability and access to services](#)

Our Rewards After the Pandemic Group

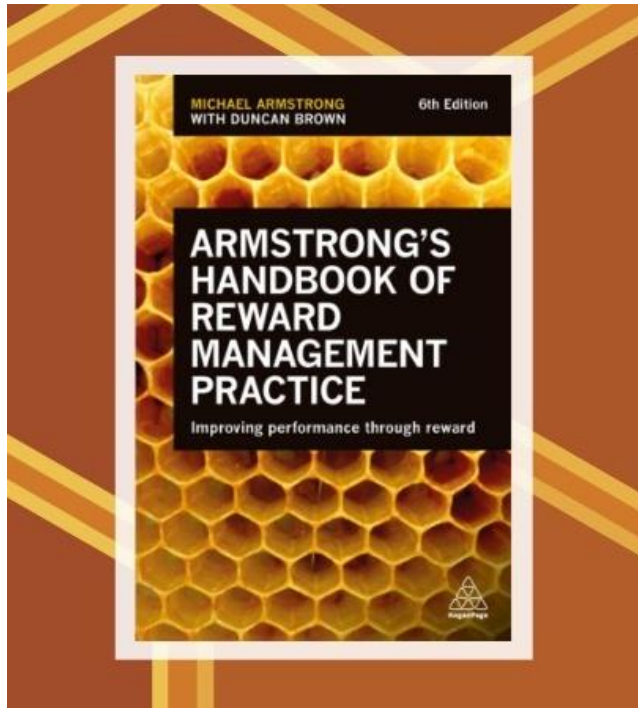
- *“How can we create a more equitable, collective, compassionate approach to reward and people management more generally after this Crisis?”*
- *“This is a once in a lifetime opportunity to challenge entrenched thinking, which works well for some but not for the many.”*
- *“We need to guide the HR community 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.”*

Rewards after the Pandemic

A Charter for reviewing &
renewing your reward strategy

By Dr Duncan Brown

Employers: A strategic rewards review



Four fundamental questions

1. What are our reward principles, goals, values and success criteria?
2. How well are 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?

Set **success criteria** - the reward principles most common in employer reward strategies:

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

Key questions to ask

1. 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 progression for all employees, linked to growth in their skills/contribution.
2. How well do we **reward and recognise collective contribution** of staff at all levels and in all roles?
 - 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.
3. How well do current reward policies support the **security, health and wellbeing** of our workforce?
 - Paying a Real Living Wage for all employees and setting minimum standards for contractors.
 - Developing and operating a comprehensive employee health and wellbeing strategy.
4. 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 and HC reporting externally.
5. How **competitive** are our reward policies, how well do they support recruitment and retention?
 - Limiting managers discretion in setting salaries for new hires.
 - Using clearly defined, justified and time-limited market supplements.
6. How well do we **motivate and engage** all of our different employees and support diversity & inclusion?
 - Carrying out regular equal pay and gender pay audits.
 - Not using individual bonus and incentive plans.

Rewards after the Pandemic

A Charter for reviewing &
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Back to a “new, new normal”?

Areas to work on: UK government

- A stronger welfare and social security net for all: increases to UC and sick pay.
- Extend compulsory reporting beyond gender and pay ratios, parental support policies, ethnicity and disability, to a wide basket of HC/ESG metrics.
- Clarify self employed/employer boundaries eg Uber, remove worker status.
- Rights to flexible work and stable hours contract, rather than just request one.
- Sick pay and pension for self employed, funded by aligning tax with PAYE.
- Meaningful employee involvement, rather than nominated NED.
- Upskilling – personal learning accounts on Singapore model, transition service from declining to high growth sectors like Swedish Job Security Councils.
- State support for employee ownership and profit sharing.
- Improved employment protection: single enforcement body like France, Ireland
 - Shared parental pay as well as leave.
 - Pregnancy and maternity protection.
- Pay care workers & public sector key workers more – Real LW, sector deals eg care. Reinstate pay progression in the public sector (skills/competency based).

MPs call for end to the £10k penalty for stay-at-home dads

Millions of fathers are having to choose not to take time off to help with childcare because it is too costly

By Marianna Hunt
22 February 2020 • 5:00am



Opinion **Gig economy**

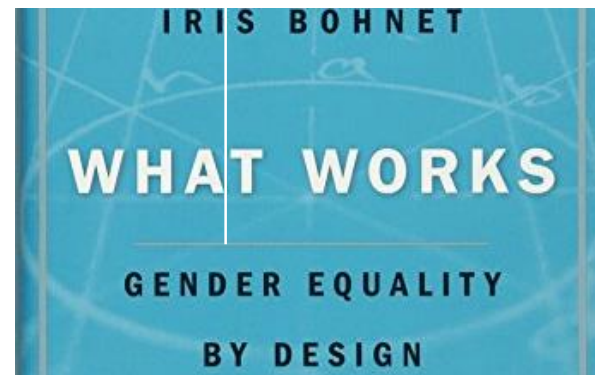
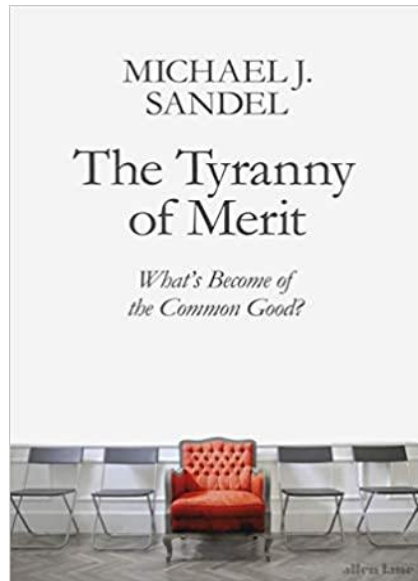
Uber ruling shows gig economy is running out of road

Ride-hailing apps are being told to reclassify their drivers as employees with corresponding rights

SARAH O'CONNOR [+ Add to myFT](#)



Back to a “new, new normal”: Some areas to work on: employers



FAIR

- Fair pay through job evaluation and a common pay structure – too much emphasis on markets.
- Pay and career progression opportunities for all and an internal emphasis to talent management.
- #BlackLivesMatter and “Diversity by design” .
- Higher low pay – Real Living Wage, permanent contracts.
- Lower high pay and reformed executive pay model.

COLLECTIVE

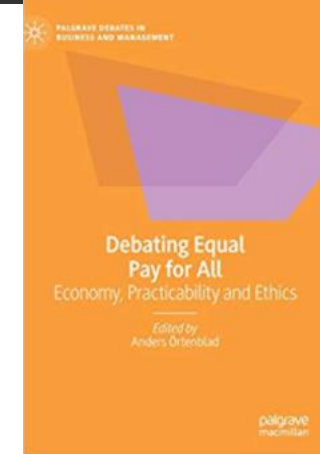
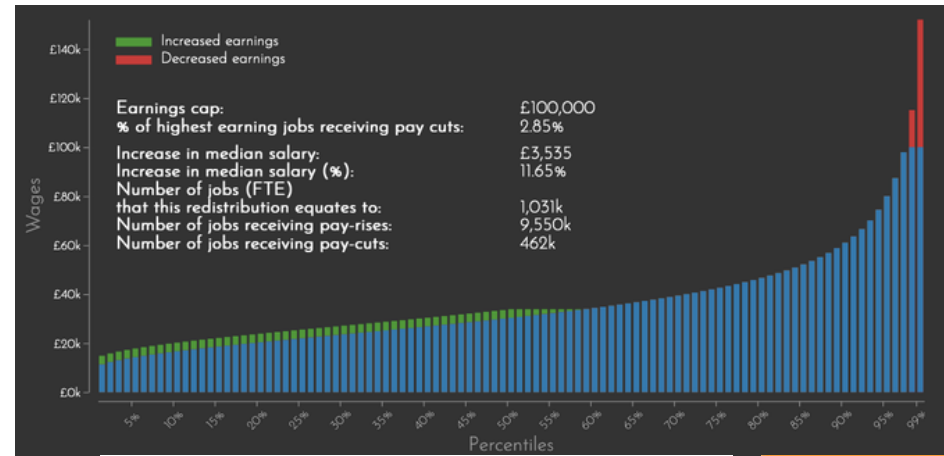
- Collective bonus and share plans replacing individual PRP.

COMPASSIONATE

- “Back to basics” on benefits: security and support:
 - decent risk sharing pension eg CDCs.
 - mental health and financial wellbeing (beyond the EAP).

Reward matters: pay fairness trumps market

- Fair pay through job evaluation – too much emphasis on “head” over “hands” and “hearts”?
- Low pay: Pay and career progression opportunities for all, internal emphasis to talent management.
- The end of market pay?
 - ban salary histories in recruitment;
 - fix job evaluation; and
 - focus on internal progression.
- High pay:
 - majority didn't cut base, or bonuses, most cuts restored;
 - share and bonus plans generally untouched;
 - the end of LTIPs?
 - redistribution? (HPC, 2020); and
 - future model: competitive base pay, collective bonus, shares (The Purposeful Company, 2020).



panies have failed to address their bosses' huge rus pandemic, a pay report claims.

Benefits and security

- “Back to basics” on benefits: security and support:
 - 72% reviewing (Howden, 2020)
 - gyms and free food, at home?
- “Beyond the EAP”
 - mental health support – Headspace, Lyra Health, etc
 - financial wellbeing
 - training Implications of home/work fusion eg domestic abuse
- Covid a nightmare for pensions, but still opportunities for decent risk sharing pension – CDCs.



Home Voices Comment Are CDCs the middle-way solution to the UK's pension crisis?

Are CDCs the middle-way solution to the UK's pension crisis?

27 Mar 2019 By Duncan Brown

As Royal Mail launches the UK's first of a new type of pension scheme, Duncan Brown explains why it might be the answer both employers and employees have been waiting for



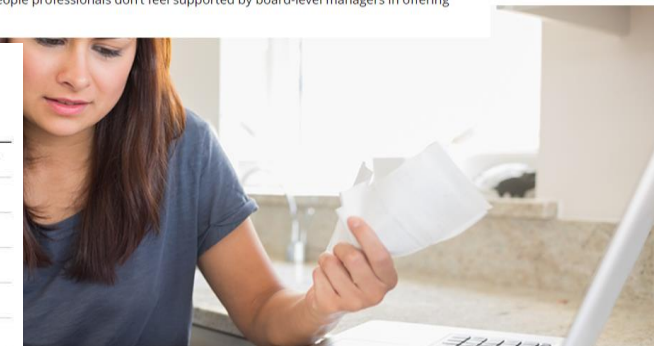
HR unaware of staff money worries in some cases, poll finds

8 Sep 2020 By Jonathan Owen

Research also reveals nine in 10 people professionals don't feel supported by board-level managers in offering financial wellbeing initiatives

The world's best pension systems

Ranking	System	Overall 2020 index value	Sub-index values		
			Adequacy	Sustainability	Integrity
1	Netherlands	82.6	81.5	79.3	88.9
2	Denmark	81.4	79.8	82.6	82.4
3	Israel	74.7	70.7	72.4	84.2
4	Australia	74.2	66.8	74.6	85.5
5	Finland	72.9	71.0	60.5	93.5
6	Norway	71.2	73.4	55.1	90.3
7	Sweden	71.2	65.2	72.0	79.8
8	Singapore	71.2	74.1	59.9	82.5
9	Canada	69.3	68.2	64.4	77.8
10	New Zealand	68.9	65.5	62.9	82.9



Collective bonuses & incentives: the real PRP?

- Four **key trends** (Eurofound, ECS, 2018):
 - more variable pay;
 - move from individual to collective emphasis;
 - multiple, multi-level incentives; and
 - base pay market and skills focus.
- **Rationale:** facilitate greater cost flexibility; teamworking; support recruitment/ret, promote employee engagement.

Overall performance correlations:

- A greater presence and breadth of variable pay schemes coincides with better site performance (Eurofound, 2015, Codero, 2005).
- “The incentive system is a shared experience of a group of employees, its impact is reflected through shared behaviours and resulting outcomes produced by group members” (Peterson and Luthens, 2006).
- Benson and Sajjadiani (2018): Manufacturing plants that use gainsharing programmes perform better than those that do not – median 17.3% productivity gain.
- A study of 97 facilities with skill-based pay plans found 2/3 of these plans were rated successful (Ledford, 2011).

The screenshot shows a research article page from a journal. The main title is "Compensation & Benefits Review". The article title is "'We Are All in This Together'. Collective Bonuses and Incentives in the United Kingdom and Europe: The Real Performance-Related Pay?". The author is Duncan Brown. The article was first published on August 18, 2020. The DOI is https://doi.org/10.1177/0886368720947328. The abstract discusses the impact of collective bonuses and incentives on performance, particularly in the context of the coronavirus crisis. It mentions that collective plans are spreading in incidence and that success depends on tailoring to suit the context and using a range of high-performance work practices. The author concludes that success is more likely when collective plans are viewed as a vehicle for disseminating incentives and imparting a sense of shared ownership.

Compensation & Benefits Review

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'We Are All in This Together'. Collective Bonuses and Incentives in the United Kingdom and Europe: The Real Performance-Related Pay?

Duncan Brown

First Published August 18, 2020 | Research Article | [Check for updates](#)

<https://doi.org/10.1177/0886368720947328>

[Article information](#)

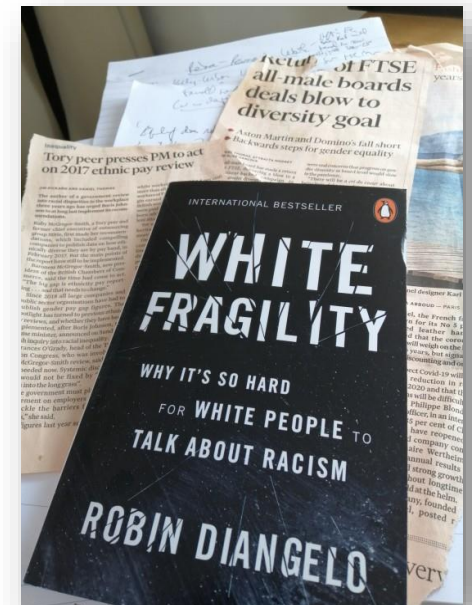
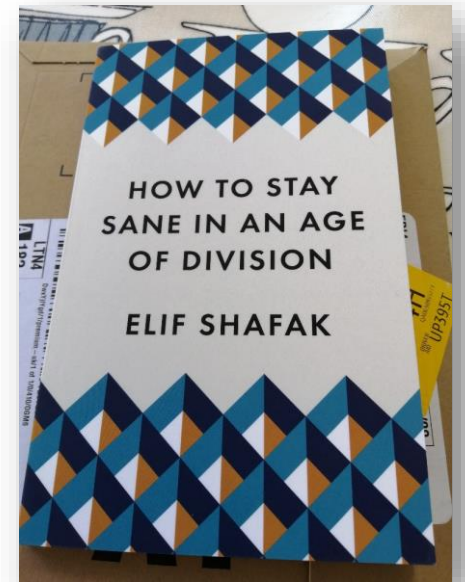
Abstract

'We are all in this together' has been a common leadership cry during the coronavirus crisis. But do rewards designs generally reinforce collective performance? Why have collective bonus and incentive plans made little headway in Europe and what is the evidence on their effectiveness? The author presents findings from a bonus and incentive research review carried out for a major oil company. He found that two-thirds of companies operate variable pay plans, with three-quarters of them based on individual performance. Collective plans are, however, spreading in incidence. The research literature he found replicates the American evidence, indicating that collective schemes are associated with higher performance across a range of metrics. But they are not universally successful. Risks include diminishing effectiveness over time, lack of employee understanding. The research highlights that success depends on tailoring to suit the context and using a range of high-performance work practices. The author concludes that success is more likely when collective plans are viewed 'not just as a vehicle for disseminating incentives but for imparting a sense of shared ownership'.

Keywords

Conclusions on post-Covid reward: A new era?

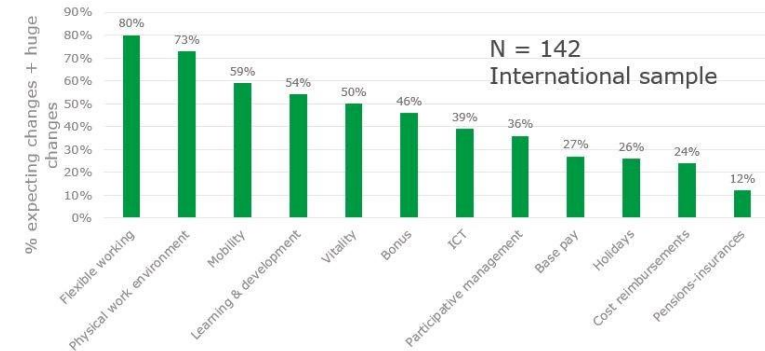
- *“The pandemic has sharpened the focus on pre-existing inequalities across a range of policy areas. With the possibility of a vaccine and the end in sight, now is the time to tackle these inequalities, now is the time to carve a better, brighter future, now is the time to act.”* Women and Equalities Committee inquiry report, December 2020
- *“Covid-19 is shining a spotlight on the injustices of inequality in the world: tackling it will require a New Social Contract for a New Era... The greatest risk is to the most vulnerable, those who work in the informal economy.. 100 million could be pushed into extreme poverty.”* António Guterres, Secretary-General United Nations, 18.07.20
- *“We look forward to a beautiful rainbow at the end of this storm.”* Prof Segalla, HEC, Paris
- *“To confront the quiet we have lived in for so long does more than just start conversations, it brings entire edifices crumbling down.”*
Just Us: Truths about Race and the Pain of Silence, Claudia Rankine
- *“Let's not let a good crisis go to waste... let's use it to build the world of work we want to see.”* Peter Cheese, Chief Executive of CIPD, July 2020



A Summary of Key reward themes in the years ahead

- From external market to internal needs and fairness.
- From “I” to “we”, individual to collective.
- From flexibility back to security & wellbeing.
- From pay and performance to reward and recognition for contribution.
- From cash to reward.

IN WHICH REWARD INSTRUMENTS DO COMPANIES EXPECT (HUGE) CHANGES?



Have you reviewed and/or audited your wellbeing strategy for 2021 (or beyond)?

Poll Results (single answer required):

Yes, it's done or well underway	21%
We've just started or about to start	38%
We're still too focussed on the present and immediate future	38%
We will not review or audit our wellbeing strategy for 2021	2%

Have the events of the past 3 months changed your focus on inequality in the workplace?

Poll Results (single answer required):

No, we've always been good at tackling inequality	29%
Yes, we've taken positive actions to mitigate the impact	26%
Not yet, but we're making concrete plans for action	16%
No, we're still at listening and assessing phase	19%
No	10%

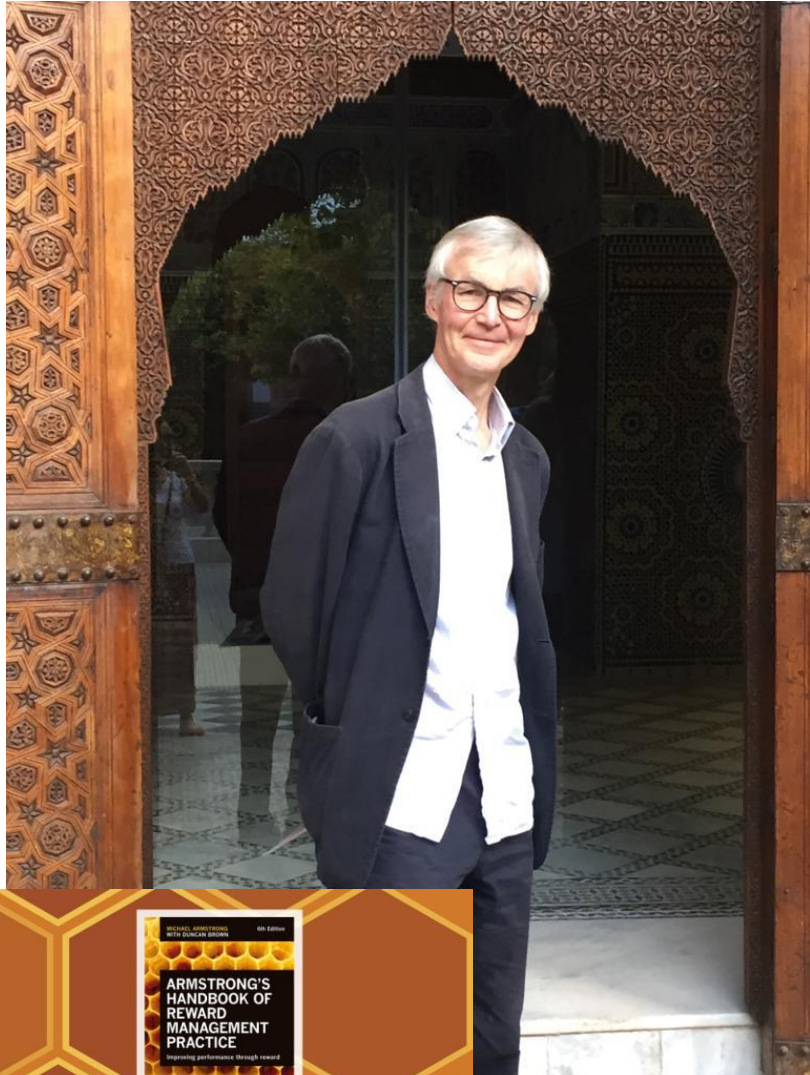
Some questions to ponder

1. What are your feelings about the context in 6 - 12 months time? Is there strong momentum to permanently change, rebuild a stronger and more secure social and employer contract?
2. Do keyworker bonuses and recognition need to be made permanent? Do the temporary cuts in executive pay need to be retained and their LTIP model changed?
3. What 3 things do government and employers need to do to avoid a 2008/9 repeat of widening inequality and to reinforce fairness and inclusion through rewards?

How about you?



Thanks!



Duncan is an independent adviser and researcher on rewards. He has worked at major HR consultancies and research institutes including Aon, Willis Towers Watson and IES. He spent 5 years as Deputy CEO at the CIPD.

Duncan's clients have included Shell, Novartis and Lloyds Banking Group, the Cabinet Office and NHS Employers, The UN and Unicef UK.

He has advised government on a range of issues including pay determination for doctors and dentists, Armed Forces personnel and the judiciary. He was closely involved in developing the gender pay reporting regulations and also worked on the gender pay gap in medicine review.

Duncan is a leading commentator on HR and publishes and speaks widely. He is the joint author with Michael Armstrong of the UK's best-selling *Handbook of Reward Management*. *Human Resources* magazine placed him in its listing of the top 5 most influential thinkers in UK HR.

Duncan has an MA from Cambridge University, an MBA from the London Business School, his PhD was in reward strategy and he is a Fellow of the CIPD. He is Visiting Professor at the University of Greenwich and Principal Associate at IES. He is a Board trustee at the Pensions Policy Institute.

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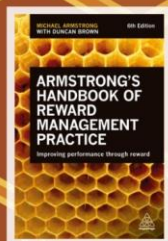
Twitter: <https://twitter.com/duncanbHR>

Latest blog: <https://www.employment-studies.co.uk/news/combating-inequality-2-budget-and-levelling-levelling-down-and-levelling>

Latest article: <https://www.linkedin.com/pulse/never-againso-what-could-new-normal-look-like-reward-employment/>

Latest presentation: <https://www.youtube.com/watch?v=74cimmL-ial&feature=youtu.be>

Recent book: <https://www.koganpage.com/product/armstrong-s-handbook-of-reward-management-practice-9780749484361>



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Any questions?

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