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leading with economics and empathy:

short-term actions to safeguard your workforce

COVID-19 has and will continue to have deep economic and social impact. How badly COVID-19 affects the economy and the future of your company depends on many factors, some of which are within your control.

Your industry, your financial position before the pandemic began, the actions you take over the next 1-2 months and the longer-term strategies you put in place will determine how your company fares over the next 12-18 months.

Some industries, such as airlines, cruise lines, restaurants and even some retailers are feeling immediate pressure on their bottom line as a result of the pandemic. Others, such as online retail giants like Amazon and Walmart, and grocery stores, among others, are actively hiring in the wake of social distancing.

While the longer-term effect on individual companies and the overall labor market is unclear, what is clear is that we've reached the point where companies in all industries need to consider the potential implications of a significant economic downturn on the US workforce. (See Mercer's article "Managing Incentives in Uncertain Times" for details.)

So what do you do now? You think carefully. You think about how to first take care of your employees (and their families) and their immediate health and safety needs. Then you consider the potential short- and long-term actions to manage your current costs and position your company for recovery through the next 12-18 months (or more) of direct and indirect COVID-19-related economic disruption. This article, the first in a multi-part series, will identify short-term actions that can safeguard your workforce against the significant economic effect of the pandemic.

Longer-term people and workforce strategies needed to weather the indirect and downstream effect of this crisis over the next 12-18 months will be covered in an upcoming article.

About 23 million of the 152 million jobs in the US are at the epicenter of the COVID-19.

According to the Conference Board

Short-Term Actions

What you do now will be remembered. People—employees, candidates, and existing and future customers—are paying attention. In this world of increased emphasis on social and corporate responsibility, companies leading with economics and empathy will be rewarded with loyalty.

Workforce compensation and benefit costs, often the majority of a company's operating expense, should clearly be an area of focus. However, actions should be considered with care. Changes that reduce compensation and benefits or materially cut the size of the workforce are highly disruptive and disproportionately harmful to productivity and employee engagement. And these types of actions can ultimately hamper a company's ability to recover from the challenge initially faced. In other words, before reducing pay and benefits, or eliminating jobs, make sure you consider the following actions first:

1) Preserve flexibility by conserving cash and delaying increases and grants. As said in the movie Frozen II, "When one can see no future, all one can do is the next right thing." We do not know what the future will bring. Volatility in the financial markets, potential waves of infection and re-infection, and an overall uncertainty about what's to come lend themselves to taking a deliberate approach. Short delays in rewards, while unpleasant, preserve a flexibility for when the broader effects are known and desired interventions are better understood.

Delays to consider include:

- Merit pay/salary increases for the 2020 period
- Long-term incentive award grants
- Discretionary 401(k)/profit sharing contributions
- Bonuses for highly-compensated employees (note, any changes made to in-progress or recently completed award periods should fully consider the regulatory, governance and disclosure requirements)
- Suspending HSA employer contributions
- Reduced work week (take everyone down to 80%)
- Rolling furloughs (everyone takes one)

2) Preserve jobs by identifying ways to redeploy employees within your company or even to other companies with substantial needs. Keep your people working! Flexibility, adaptation and creativity will be key.

- **Labor "loans" to other companies with substantial needs**: There are companies desperately in need of labor during this crisis. Amazon and Walmart are looking to hire at least 100,000 new employees…each. As noted in "How Chinese Companies Have Responded to Coronavirus" (Harvard Business Review, March 10, 2020), Chinese companies in industries experiencing sudden drops in business (e.g., restaurants and entertainment) shared their employees with a supermarket chain that urgently needed delivery service employees because of a sharp increase in online orders rather than layoff or furlough the employees. The case study from China could be a model for employers in the US and elsewhere to consider as an option.
- **Within your company:** Tap into the internal talent ecosystem. Redeployment to higher demand areas is common practice within health care and manufacturing environments. Other environments can use these industries as a model. Many of your employees may have skills and competencies that they can easily apply to other roles (e.g., data analytics). Give top employees an opportunity to learn and develop with stretch assignments. At the same time, secure the core by identifying key roles and employees to preserve from significant reductions so that they remain in place to propel the recovery.

3) Identify and evaluate potential compensation and benefit actions to take later to improve cash flow. You may need to make some difficult decisions in the longer-term that will directly, and probably negatively, affect at least some employees and their financial well-being. (Illustrations of potential longer-term compensation and benefit actions will be provided in our upcoming article, available soon.)

Use this time to prepare by taking the following steps:

- Inventory current programs
- Assess costs and competitive positioning
- Determine which employees could be impacted
- Model costs and impact of program changes
- Evaluate employee reaction to change—is current satisfaction high or low?

4) Strengthen your safety net and protect your people. In the event that layoffs or other severe and disruptive actions are required, consider whether your policies and programs are socially responsible and meet the needs of your workforce. See Mercer's Ten Considerations to Support your Workforce and also consider the following:

- Severance pay and health benefits: Are they competitive? Should they be enhanced?
- Workforce transition services: What is your support system for employees who lose their jobs or find their hours significantly reduced (e.g., digital outplacement services or reskilling opportunities?)

During these uncertain times, you will need to take action to protect against a potentially significant and long-term economic downturn; however, taking immediate and severe actions now isn't necessarily the best approach. It is critical that you balance economic decisions and empathy with a longer-term look toward what's the next right thing your company needs to do to succeed.

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