Managing Comp Through COVID-19

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Today’s Agenda

In today’s session we will:

- Frame the dilemma
- Discuss the required balancing act
- Review current practices
- Discuss the pros and cons of various comp strategies
Compensation...Expense or Investment?

- Pre-COVID Perspective
  - HR Execs
  - CEO’s
- ”Employer of Choice”
As Goes Our Economy…So Go Our Priorities

- Many companies quickly cut costs
- Some companies/industries clearly benefitted
- Most tried to minimize costs, w/o impacting key EE retention/culture
Initial Company Reactions

ROYAL CARIBBEAN LAID OFF 26% OF WORKFORCE

TESLA FURLOUGHED HOURLY WORKERS: INSTITUTED TIERED PAY REDUCTIONS

FIDELITY ANNOUNCED PLANS TO HIRE 2000 EMPLOYEES
## Comp Change Data from Recent Key Survey

<table>
<thead>
<tr>
<th>Planned Compensation Changes</th>
<th>% of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing Compensation</td>
<td>6%</td>
</tr>
<tr>
<td>Freezing Pay</td>
<td>10.5%</td>
</tr>
<tr>
<td>Reducing Compensation</td>
<td>14.8%</td>
</tr>
<tr>
<td>Continuing/Undecided/Other</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: ERI April 1-15, 2020 Organizational Survey re: COVID-19 Responses
Other Responses: Hazard Pay, Increased Benefits, Targeted Increases/Decreases
Benefit Plan Changes

Recent Benefit Survey of Organizations in COVID era demonstrates

- 53% report enhanced mental/emotional programs for employees
  - Starbucks providing 20 free counseling sessions for employees/families
  - Target providing 1 year of free access to website/app to reduce stress/worry
  - Kickstand Communications offering more flexible work schedules

Source: April 2020 Survey by National Alliance of Healthcare Purchase Coalitions
## Additional Benefits Offered - ERI Survey

<table>
<thead>
<tr>
<th>Response</th>
<th># of Organizations</th>
<th>% of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work From Home (WFH)</td>
<td>296</td>
<td>58.5%</td>
</tr>
<tr>
<td>Additional Paid Sick Days/Leave</td>
<td>172</td>
<td>34%</td>
</tr>
<tr>
<td>Additional Health Care Benefits</td>
<td>42</td>
<td>8.3%</td>
</tr>
<tr>
<td>Dependent Care Benefits</td>
<td>23</td>
<td>4.5%</td>
</tr>
<tr>
<td>Reimbursement for Add. Exp.</td>
<td>12</td>
<td>2.4%</td>
</tr>
<tr>
<td>Flexible Schedules</td>
<td>5</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: ERI April 1-15, 2020 Organizational Survey re: COVID-19 Responses
Work From Home (WFH) Benefits

Gallup Study shows higher engagement for EEs working 3-4 days remotely

- Approximately 40% of current Facebook EEs interested in FT remote work
- Mark Zuckerberg expects 50% of EEs to end up remote within 5-10 years
Lessons Learned

- Many options; no easy answers
- Some PPP money running out; 2nd round of cuts underway for some
- Businesses sorting out new reality; impacted EEs feeling it
- Remember the “how” is as important as the “what”
A Few Key Considerations

- There is no perfect one-size-fits-all solution
- Involve trusted advisors
- Communication is key
Total Rewards

Create & leverage a highly effective “Total Rewards” Program

- **Pay**
  - Competitive / Equitable Base Pay
  - S.T. Performance-Based Incentives
  - LT Savings/ Retirement Plan(s)

- **Benefits**
  - Comprehensive/Affordable Insurance Coverage
  - Paid Time Off/ Flexibility
  - Employee Services

- **Organizational Culture**
  - Trust, Support, Respect
  - Engagement & Ongoing Feedback
  - Challenge/ Meaningful Contribution

- **Learning & Development**
  - Identification of Critical Competencies
  - Skill Development/ Enhancement
  - Performance/ Career Development
Impact/Implications of Decisions

These decisions are critical because you risk:

- Losing your best people
- Saving money in the Short Term, but losing Long Term
Consider Each Component of Your Compensation Program

Each Has A Strategic Purpose

- Base Pay
- Short-Term Incentive Comp
- Long-Term Incentive Comp
- Benefits/Perks
Short-Term Pay Considerations

Should You Consider:

- Delaying salary/hourly pay increases
- Deferring portion of pay; reinstating later
- Reducing pay- tiered schedule or uniform cuts
- Modifying ST incentive plans
Possible Adjustments to Benefits/Perks

- Eliminate dues/subscriptions
- Reduce/modify parking and/or auto benefits
- Modify tuition reimbursement
To Retain Top Performers

- Offer “stay” bonus
- Implement Short-Term Gainsharing Plan
- Offer Phantom Equity/LT Cash Plan
Offer “Stay” Bonus

- Used for “Hot Skills” position
- May include performance element
Implement Short-Term Gainsharing Plan

Typically linked to eliminating waste/driving out unnecessary costs

Sends the right message; engaging

Yields significant short and long-term cost savings
Develop/Implement Long-Term Cash Plan

- Offered selectively to key strategic partners
- Can be linked to a single or multiple performance criteria
Offer Phantom Equity Plan

- Cash based equivalent of company stock
- Typically restricted to those individuals who can impact LT success
- Plan designs can offer a great deal of flexibility
Final Considerations...

- Carefully balance cost savings/impact on culture
- Should consider ST/LT goals and related consequences
- Aim to excel at communication
- Don’t go too fast – or too slow!
Questions, Anyone?

- Thank you!
- For more information:

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