COVID-19 PULSE SURVEY

WORK IN A NEW NORMAL

2020

U.S. Edition

Gallagher

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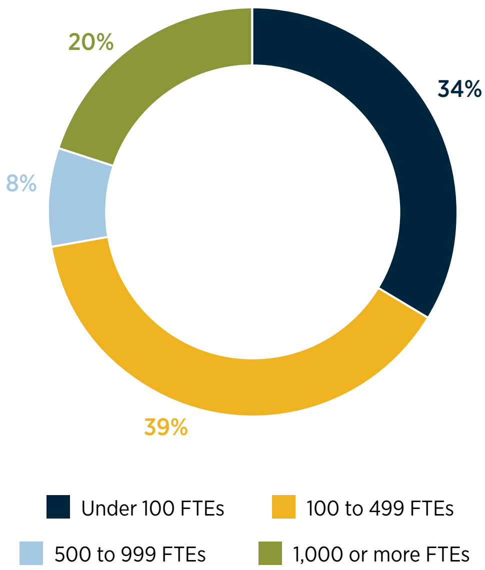
SURVEY OVERVIEW

The COVID-19 Work in a New Normal Pulse Survey shares insights into how employers are responding to evolving challenges of the pandemic. Key topics include return-to-work requirements and timelines, total rewards reevaluation, work-at-home considerations, and workforce reductions.

More than 550 organizations of all sizes in various industries participated between June 9 and July 10, 2020. Findings clearly suggest that a people strategy anchored in workforce wellbeing promotes organizational wellbeing, even in times of uncertainty. In particular, supporting safety and security is just as important to maximizing the emotional aspects of this mindset as it is to protecting the physical aspects.

WORKFORCE SIZE—FULL-TIME EMPLOYEES (FTEs)*



*Due to rounding, percentages do not total 100%

PARTICIPATION BY INDUSTRY

Healthcare and manufacturing	10%–15%
Financial services, technology, business services, social services and public entity	5%–9%
Construction, hospitality/restaurant/entertainment, energy, higher education, wholesale-distribution, law, K–12 education, associations, retail, transportation, real estate, pharmaceutical, religious institutions, life sciences and agriculture	1%–4%

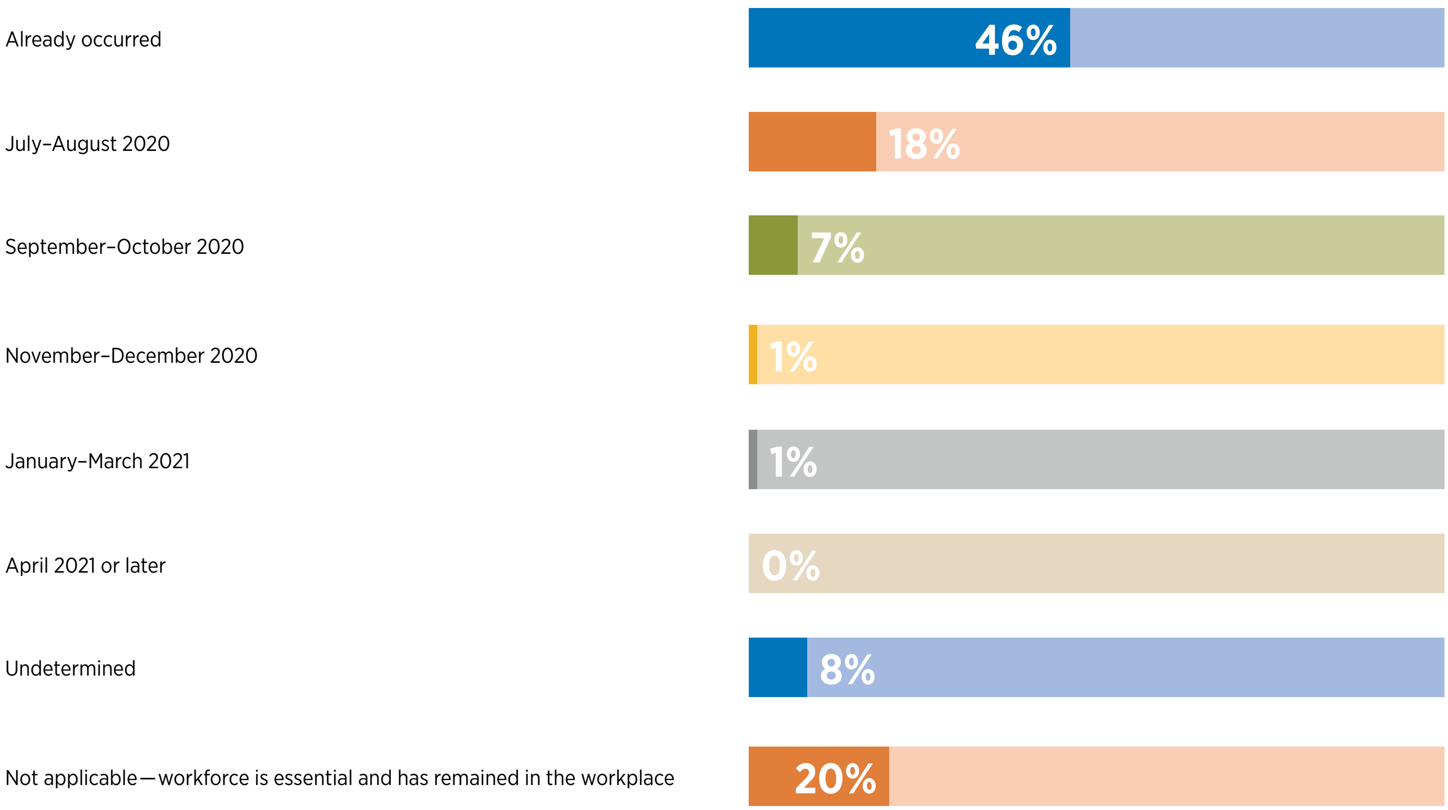
RETURN TO WORK

By August, almost two-thirds of employers expect a partial return to work and nearly a third expect a full return.

Widespread work-at-home arrangements were a consequence of COVID-19 for most employers. A partial return to the workplace has already occurred or is underway for many of the 64% that expected this transition to take place by end of the summer. It was completed before June by 38% and took place during that month by 8%—while 18% have targeted July or August. Among the rest, 7% projected a September to October time frame, and 8% have not yet determined a date. Return-to-workplace procedures don't apply to an additional 20% that maintained workplace continuity because they have essential workforces.

Public entities (78%) have conducted a partial return of employees ahead of other industries, bringing back more than three-quarters of their essential populations no later than June. Technology employers were most likely to project a September or October partial return (18%), and those in business services were most likely to report that no date has been set (18%).

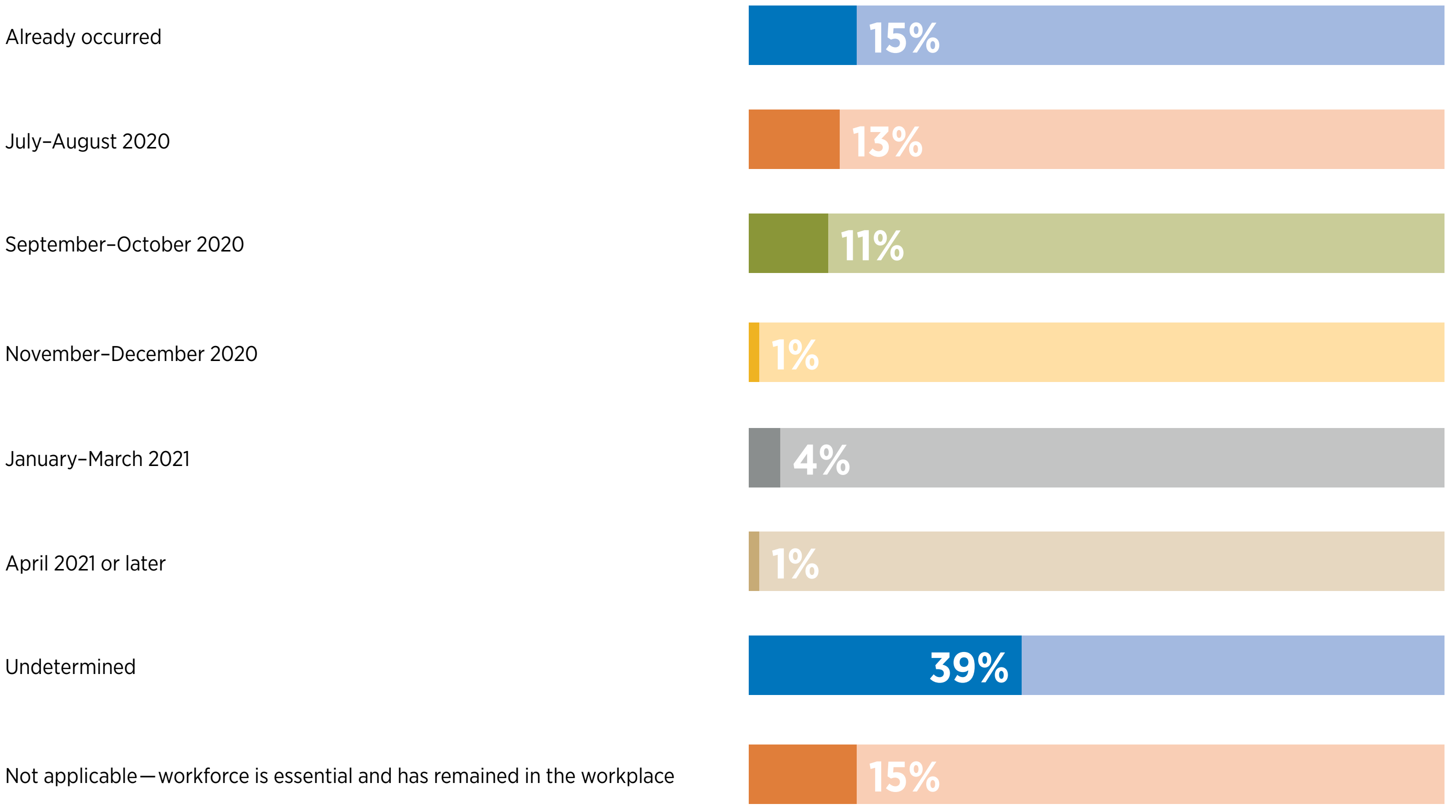
ACTUAL OR PROJECTED RETURN TO WORK—PARTIAL WORKFORCE



Employers were less certain about the return of their full workforce, as roughly 4 in 10 (39%) hadn't settled on the timing. By June, 15% transitioned all employees back to the workplace, while 13% expected to complete this operation in July or August and 17% planned to delay until September or later. Another 15% have an essential workforce that never relocated.

Healthcare, manufacturing and public entity employers are more likely than those in financial services, social services or technology to forecast that all employees will be back by August.

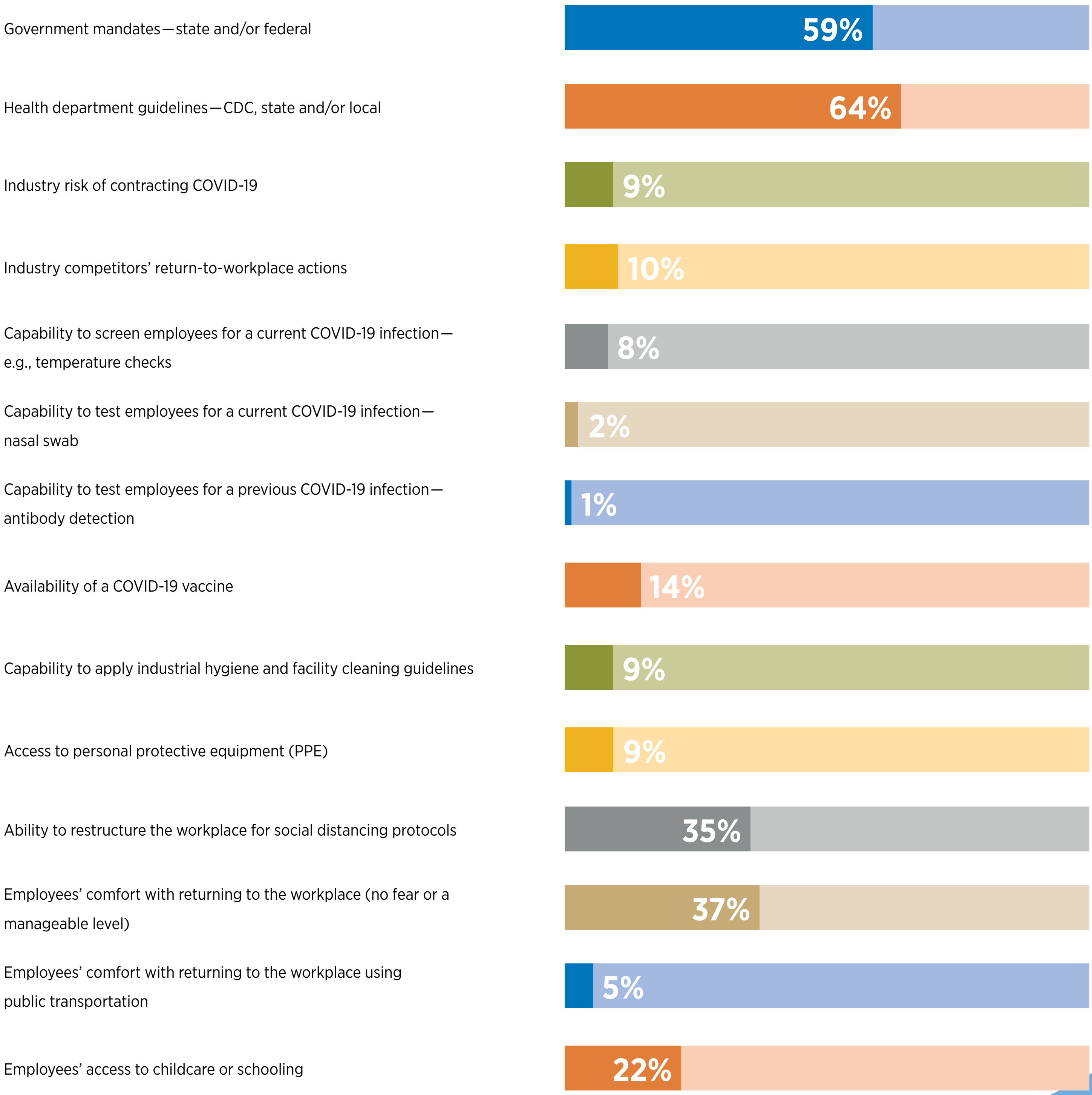
ACTUAL OR PROJECTED RETURN TO WORK—FULL WORKFORCE



Calendar dates for returning employees to the workplace were mostly influenced by guidance from health departments such as the Centers for Disease Control and Prevention (CDC) (64%) and state and/or federal government mandates (59%). Within the organization, concerns have mainly included employees' comfort with returning (37%) and the ability to effectively restructure the workplace for social distancing (35%).

Employees' access to childcare and schooling remained a top factor for 22% of employers overall, and other considerations surveyed garnered top rankings among 15% or less.

MOST CRITICAL FACTORS DETERMINING RETURN-TO-WORKPLACE TIMING



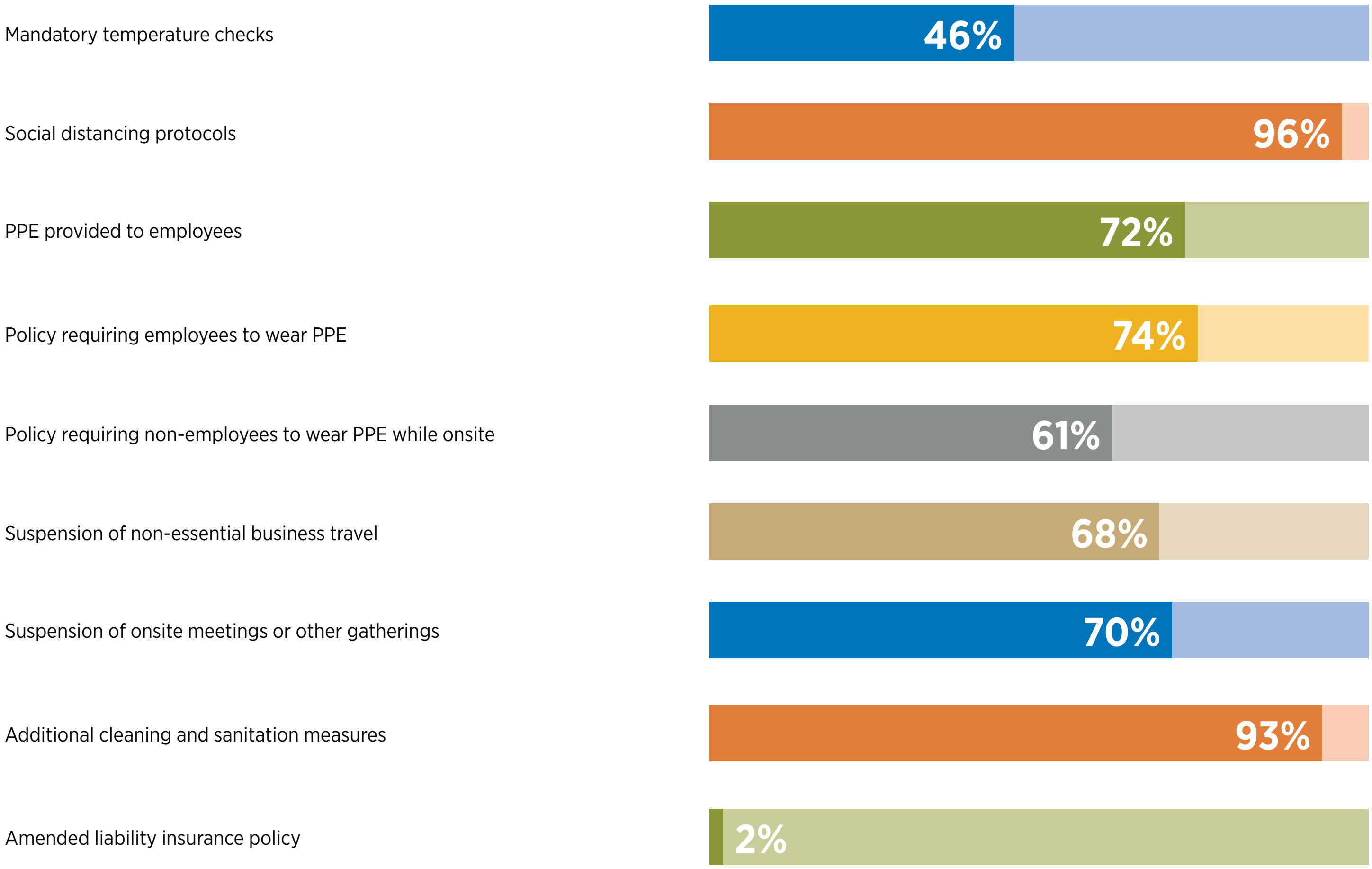
It's all too apparent to most employers that making and applying return-to-workplace decisions can be a complex process. They're required to sort through a variety of considerations and priorities, but the starting point is almost always ensuring a socially distanced and sanitized workplace.

Establishing social distancing protocols appears to be a nearly universal safety step when preparing to bring employees back to the workplace (96%), alongside decontamination through added cleaning and sanitation measures (93%).

For further protection, more than two-thirds of employers are suspending onsite meetings or other gatherings (70%) and non-essential business travel (68%).

Determining PPE practices and policies was also high on the list of environmental adjustments. Employers are applying or will apply PPE requirements more frequently to employees (74%) than non-employees (61%). And nearly as many that mandate PPE for employees were providing or planning to provide it (72%).

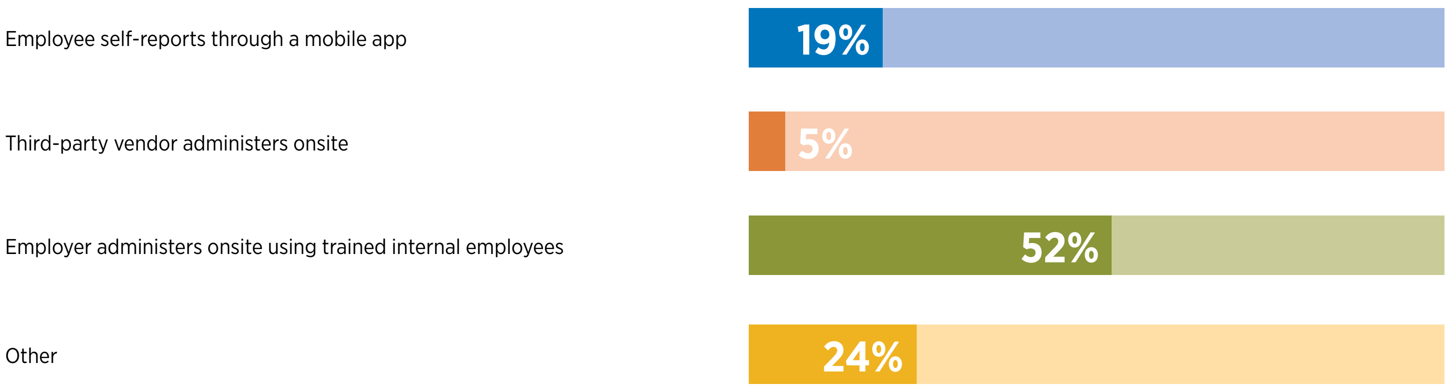
RETURN-TO-WORKPLACE PRACTICES AND POLICIES



Interestingly, public entity employers were the most likely to provide employees with PPE (88%), but not all (72%) planned to establish a policy that requires wearing it. PPE is less often made available to technology (63%) or financial services (58%) workforces, whose return to the workplace is also more likely to be delayed.

Among the 46% requiring mandatory temperature checks, well over half have chosen to administer them onsite using trained internal employees (52%) or were enlisting the help of a third-party vendor (5%). Another 19% opted for employee self-reporting through a mobile app, and 24% used a different method.

METHOD OF ADMINISTERING MANDATORY TEMPERATURE CHECKS



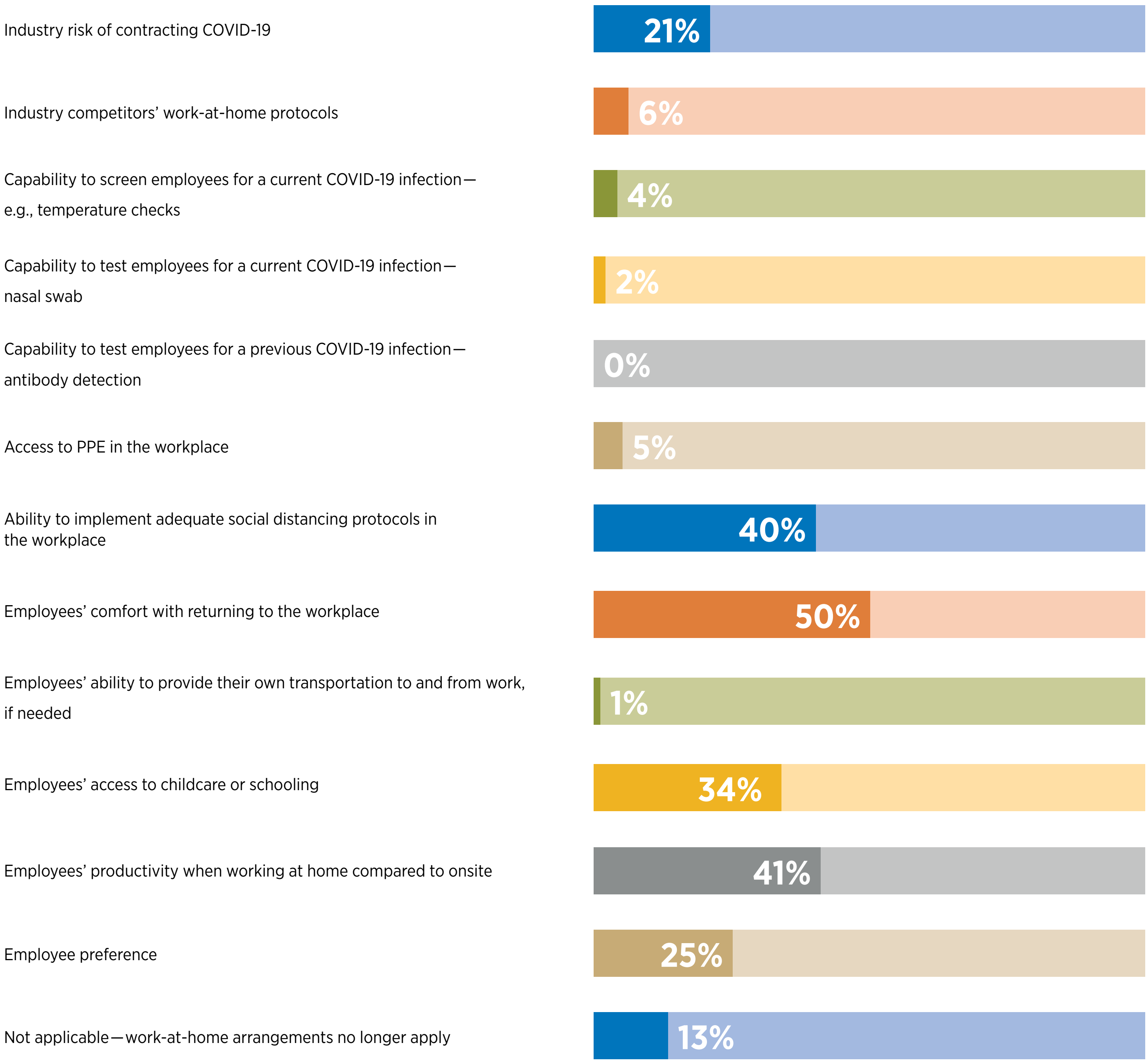
WORKING AT HOME

Relocating employees to a home work environment was an unplanned, large-scale experiment in giving them greater autonomy, and participating employers are now evaluating its success. So far, the decision to extend work-at-home opportunities has been mostly determined by three factors, including two that depend on employees' individual relationships to the employer workplace: their comfort with returning (50%) and their ability to sustain the productivity they've achieved there (41%). The other top consideration is the organization's ability to implement adequate social distancing protocols (40%).

Also relatively important were employees' access to childcare or schooling (34%) and their preference for one work location over the other (25%). To a lesser extent, employers evaluated the industry risk of COVID-19 (21%), their competitors' work-at-home protocols (6%) and access to PPE in the workplace (5%). All other factors ranked as strong influences for less than 5%.

The key factor for extending work-at-home options within the business services, financial services, manufacturing and technology industries is whether employees are comfortable coming back to a communal workspace. Comparatively, healthcare and social services employers emphasized the ability to implement adequate social distancing protocols. Public entity was the only industry to put employee productivity at the top of the list.

FACTORS INFLUENCING THE DECISION TO CONTINUE WORK-AT-HOME POLICIES



COVID-19 has impacted the importance of total rewards for more than 8 in 10 employers.

When the pandemic arrived in full force within the U.S., jeopardizing workforce health and sending shockwaves through the economy, businesses shifted their operational and organizational focus to continuity, safety and compliance. In the process of rebooting key strategies, 83% have been rethinking the relative importance of compensation and benefits as they plan total rewards.

The physical, emotional and financial stressors of this current time in history raise the stakes for workforce wellbeing initiatives—because the organization's wellbeing remains inseparable from the whole health of its employees. An integrated approach to supporting all aspects of this cultural imperative, backed by compatible decisions and behaviors across all internal functions, is fundamental to shared success.

Nearly two-thirds of employers have responded to the pandemic's human toll of higher stress by increasing their focus on emotional wellbeing.

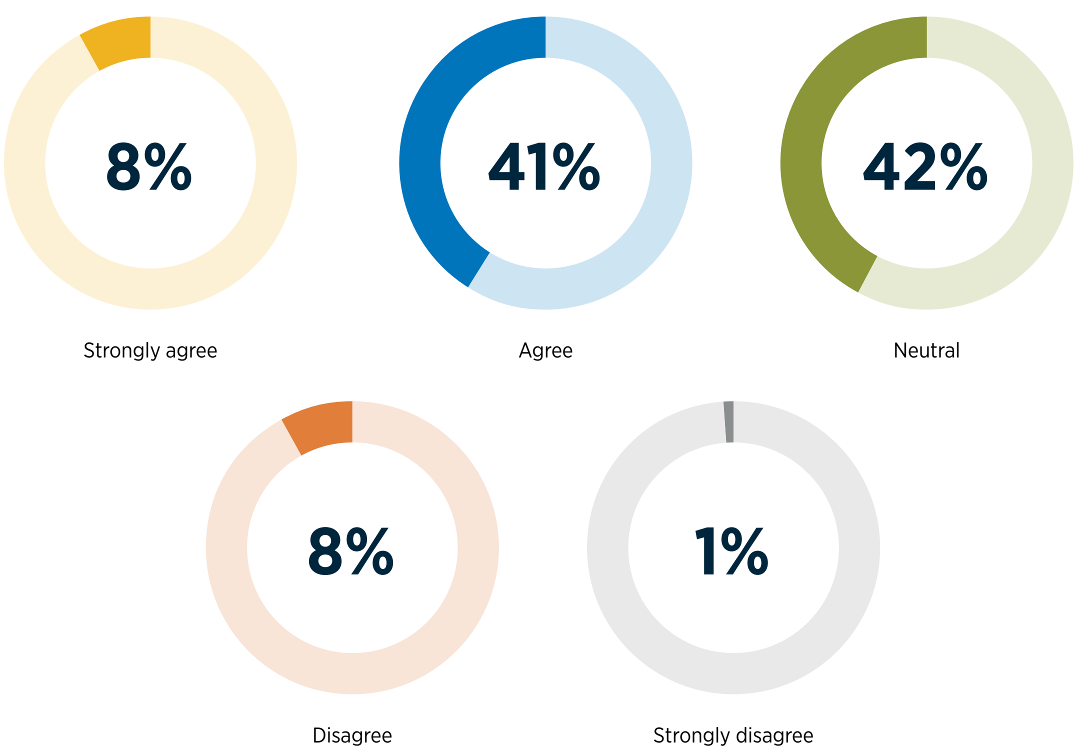
COVID-19 has prompted employers to increase their emphasis on emotional wellbeing more than any other benefit (65%) when planning total rewards. In total, the havoc wreaked by this virus on people's lives has caused more emotional strain than physical suffering—yet people are fortunate if stress is their only health consequence.

Emotional wellbeing is especially vital right now because it's often affected by financial wellbeing, which has also taken a hit from the pandemic. Helping employees stay grounded emotionally preserves their energy and can make them more receptive to the value their other wellbeing benefits provide. When employers prioritize workplace safety, especially at a time of increased vulnerability, they're better able to reduce compounded stress. And their employees are likely to engage more fully in productive work that's more gratifying.

If there's a silver lining to the detrimental impact of the COVID-19 crisis on organizations, it may be a change in the typical patterns of how employees interrelate. About half of employers (49%) agreed or strongly agreed the pandemic has brought out a noticeable increase in civility and kindness among the workforce—perhaps a side benefit of living through a truly novel but common experience.

The industries with the greatest consensus at the positive end of the spectrum are financial services, healthcare and technology industries—roughly 6 in 10 see a difference. Among employers and industries overall, fewer than 10% disagree or strongly disagree.

HAVE OBSERVED INCREASED CIVILITY AND KINDNESS WITHIN THE ORGANIZATION DURING THE PANDEMIC

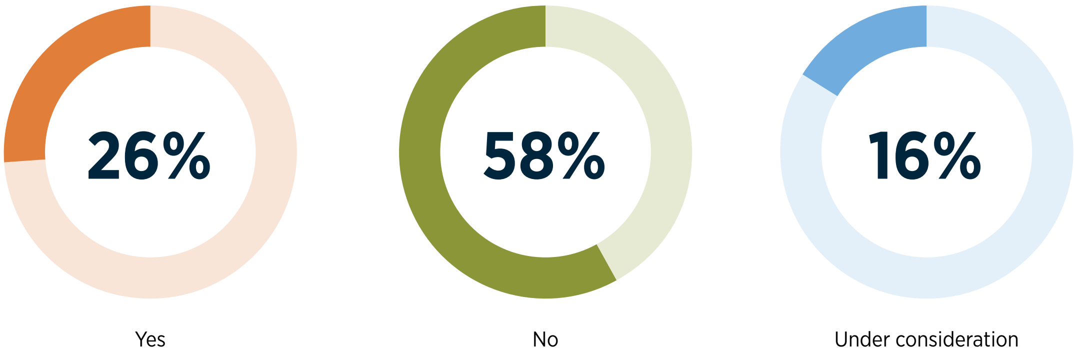


Almost half of employers are now more focused on absence management.

Leave policies are also drawing more interest during total rewards planning (47%). This stronger focus has triggered an expanding need to comply with emergency provisions, challenging employers to keep up. Consequently, the demand for outside resources that help ensure correct management, documentation and policy updates has increased, too.

More than a quarter of employers (26%) modified paid time off (PTO) policies due to COVID-19, and another 16% are considering changes. Public entity employers led other industries in taking this step (44%), while activity within technology was considerably lower (17%). Among employers overall, examples of revised provisions include allowing employees to roll over or cash out unused PTO days, and mandating the use of their allotted days by a certain date.

MODIFIED PTO POLICIES DUE TO THE PANDEMIC



Medical benefits have become more prominent in total rewards strategies for about 4 in 10 employers.

Medical was another category whose significance is now magnified (39%). As a side note to considering the importance of these benefits to the workforce, it's critical to correctly anticipate and effectively mitigate their associated risks and ensure HR compliance. Preventive steps include measures required to protect employees, updates to health plan benefit summaries, reinstatement of coverage and applicable government agency regulations to account for the impact of COVID-19.

Apart from health plan coverages, interest in physical wellbeing benefits has increased for 36% of employers. They see the possibility of employee healthcare needs linked to sedentary habits and addiction as ancillary effects of the pandemic, in addition to stress.

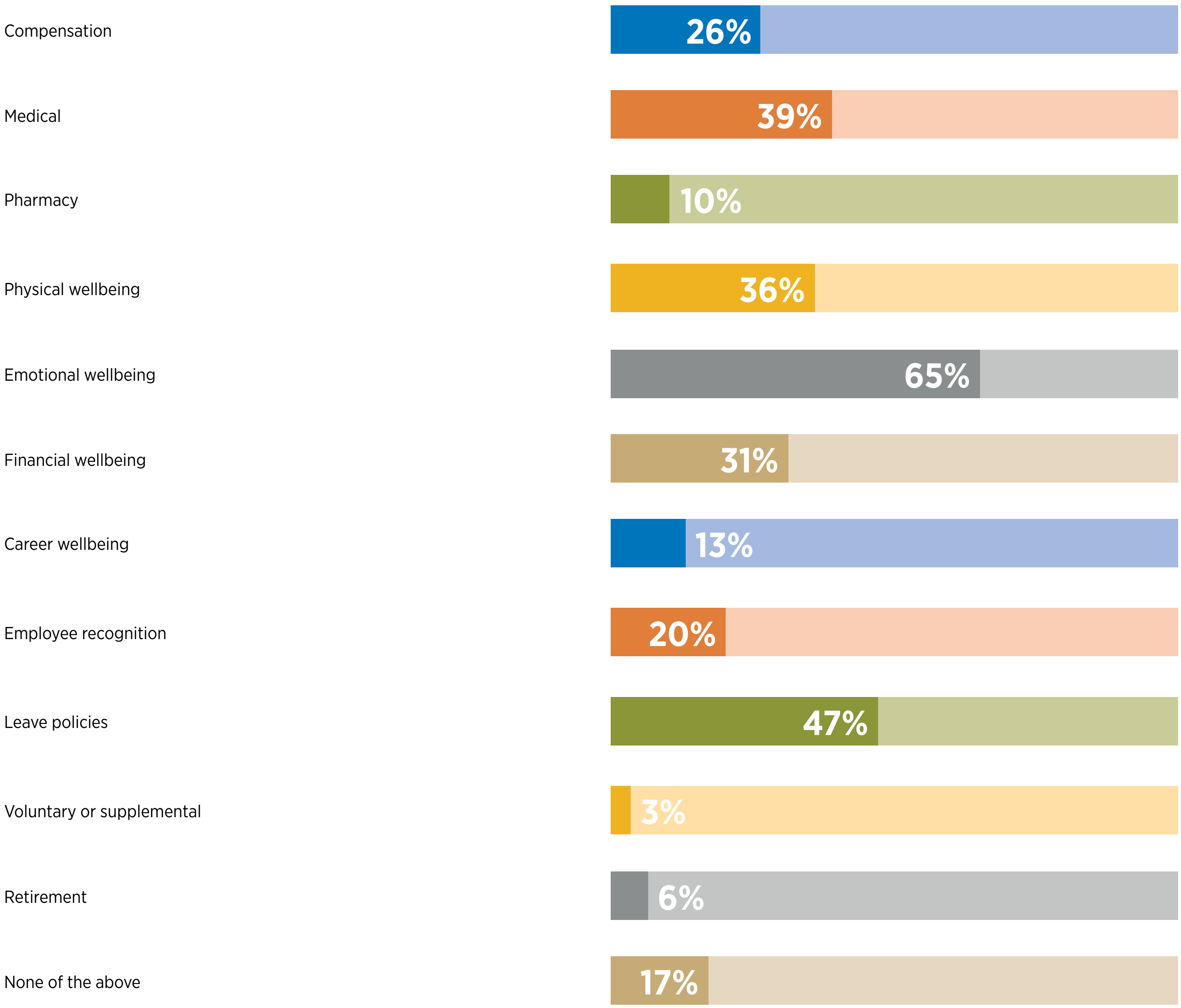
Financial wellbeing was also a top five benefit that's been under the microscope for a greater number of employers (31%) as they reexamine the makeup of their benefits package. Safety nets have become precarious for more employees—who may be anxious about contracting the virus at work, bringing it home to their families, losing pay for time off and not being able to pay their bills.

In response to the pandemic, healthcare has increased the importance of financial wellbeing the most (44%) compared to other industries. This change likely reflects the comparatively high rate of workforce adjustments, including reduced employee hours and furloughs.

Alongside benefits, compensation has been reconfigured by more than a quarter of employers (26%). Considerations for many are likely to include reviewing salary and variable compensation models, lowering fixed costs and adding more variable costs that align with productivity and outcomes metrics.

Other total rewards components that are now more important factors in planning—to 1 in 5 employers or less—are employee recognition (20%), career wellbeing (13%), pharmacy (10%), retirement (6%), and voluntary or supplemental (3%) benefits.

TOTAL REWARDS ELEMENTS CONSIDERED MORE IMPORTANT IN PLANNING DUE TO THE PANDEMIC

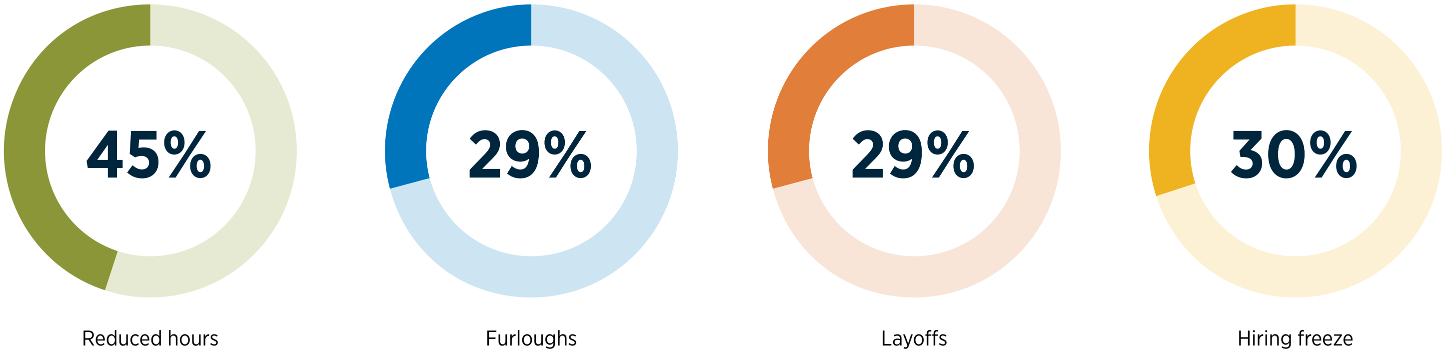


WORKFORCE REDUCTIONS

People are the lifeblood of an organization, and work is vital to their financial and overall health, which makes it especially difficult when business continuity requires cutbacks. The pandemic has forced nearly half (45%) of employers to reduce workforce hours and, in equal measures, to implement furloughs (29%) and layoffs (29%). Although a growing number of businesses are reopening after shutdowns, tough workforce composition choices continue.

A workforce impact of 1%–5% was most common for all three types of cutbacks, with more employers reducing hours (16%) and resorting to layoffs (18%) than implementing furloughs (12%). Comparatively, the breakdown for a 6%–10% impact emphasized reduced hours (7%) over both furloughs and layoffs (5% each).

WORKFORCE IMPACTS OF THE PANDEMIC

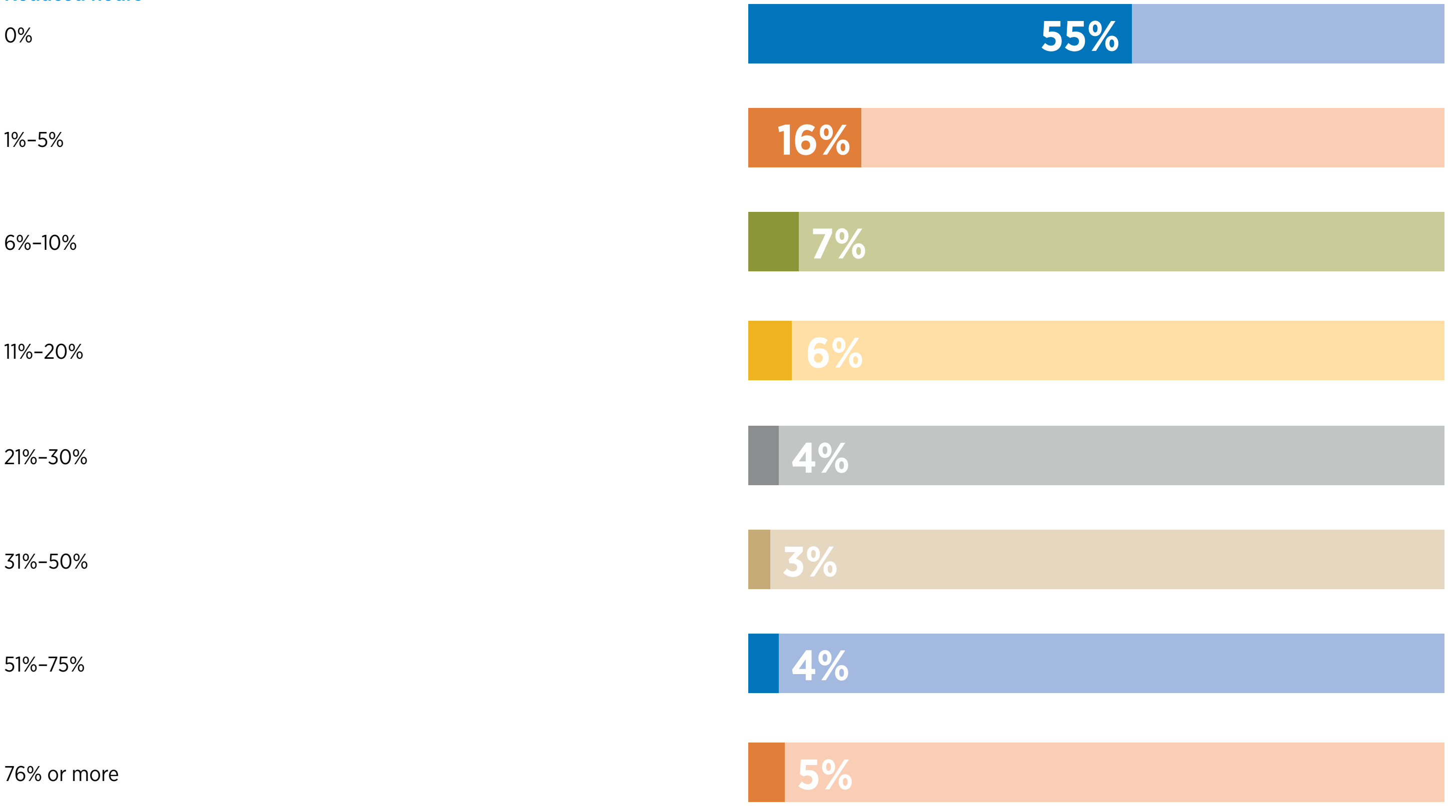


Overall, financial services, social services and technology were the industries least likely to reduce hours or furlough employees, and fewer than 30% of each implemented layoffs. Healthcare employers were likeliest to reduce hours (73%), typically affecting either 1%–5% of the workforce (25%) or 6%–10% to a much lesser extent (8%).

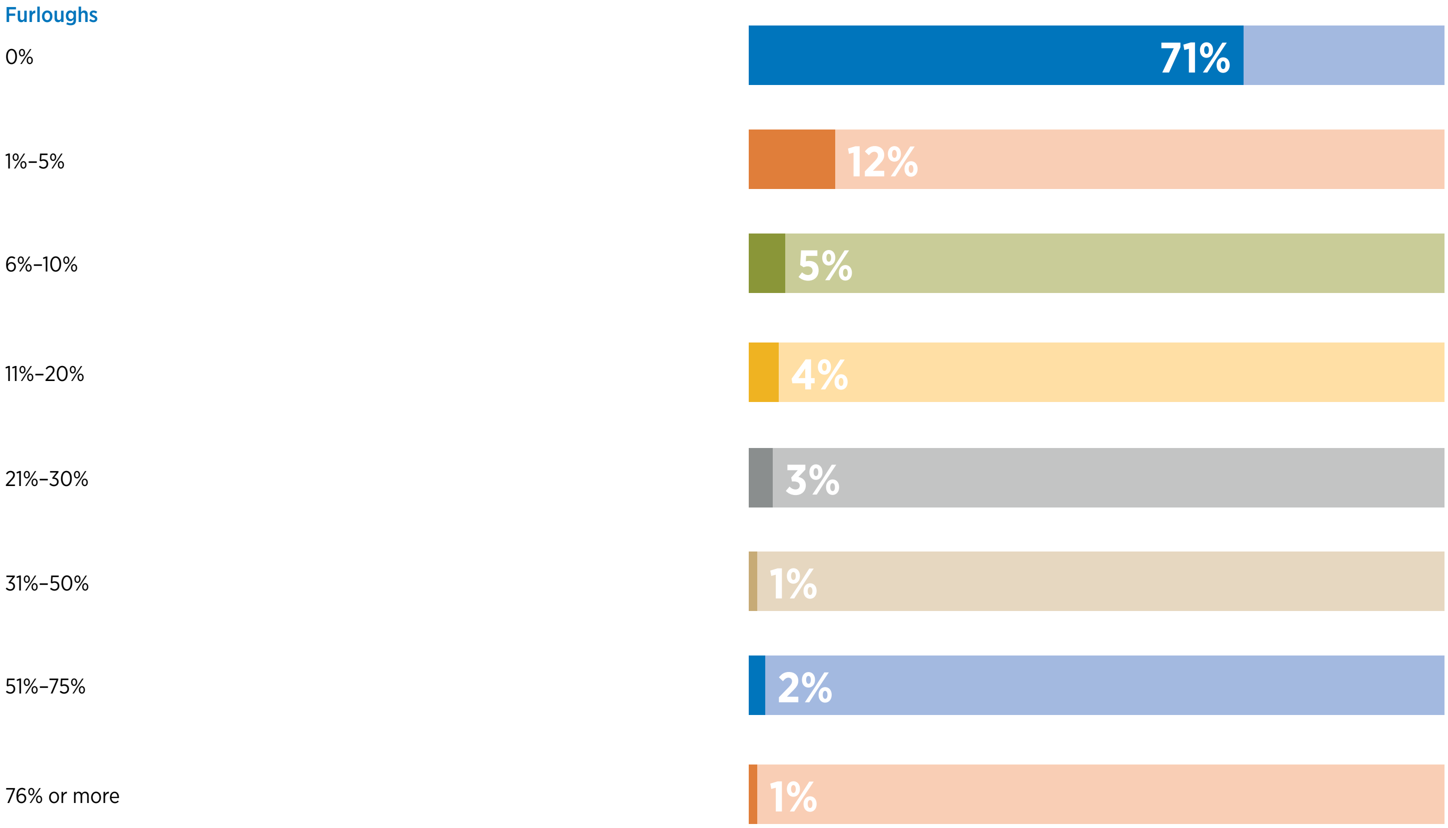
While this industry also had a higher tendency to furlough staff (41%), it tied for the fewest layoffs (20%). Manufacturing employers were second-most likely to reduce hours (46%) or furlough employees (38%), and most likely to implement layoffs (39%). Layoffs of 1%–5% of employees in the industry were more common than 6%–10%, at rates of 20% and 11% respectively.

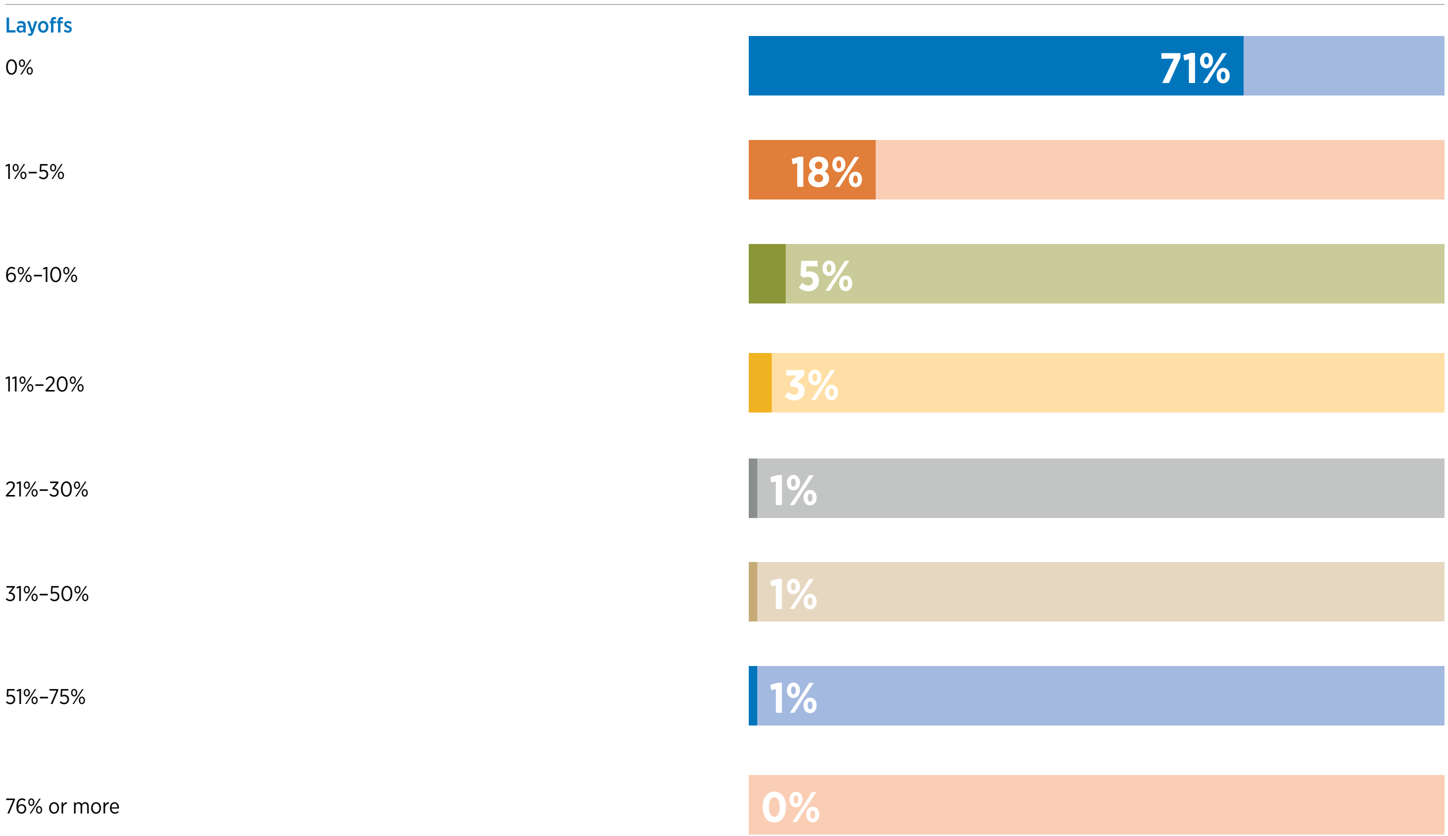
PERCENTAGE OF THE WORKFORCE AFFECTED BY THE PANDEMIC

Reduced hours



PERCENTAGE OF THE WORKFORCE AFFECTED BY THE PANDEMIC (CONT.)





Almost a third (30%) of employers put a freeze on hiring in order to save costs. Freezes were used far less within social services (13%) and far more within technology (39%).

This practice makes it possible to concentrate on essential work by consolidating and even restructuring the workforce.

HAVE IMPLEMENTED A HIRING FREEZE

More than 4 in 10 employers have already put salary freezes in place for 2021.

Many people whose employment wasn't affected by the pandemic have not entirely escaped its financial impact. As of July, incentive reductions or freezes for 2020 affected 51% of non-management employees as well as 54% of management and executives. In 2021, they're expected to diminish to 11% and 17% respectively—but over 4 in 10 employers anticipate salary freezes for both groups.

Reducing salary increase budgets during the upcoming calendar year was also on the docket for 32% with respect to non-management employees. And 27% planned to apply this measure to management employees and executives.

COMPENSATION CONTAINMENT MEASURES

	Non-management	Management and executives
INCENTIVE REDUCTION OR FREEZE		
2020	51%	54%
2021	11%	17%
SALARY FREEZE		
2021	42%	43%
SALARY INCREASE BUDGET REDUCTION		
2021	32%	27%

Interestingly, 79% of technology employers reduced or froze incentives or bonus payments for non-management employees in 2020. And the industry is the most likely to implement additional incentive and bonus reductions in 2021 (21%), but just 11% are planning a salary freeze. A somewhat similar pattern applies to management and executives (75%, 25% and 10% respectively).

In the public entity and social services sectors where incentive and bonus payments are less common, expectations for non-management salary freezes in 2021 far exceed the overall employer average at 60% and 54% respectively. Healthcare employers also anticipate the need for aggressive compensation changes in 2021, more often involving reduced salary increases (53%) or freezes (45%) than reduced incentive payments (11%).

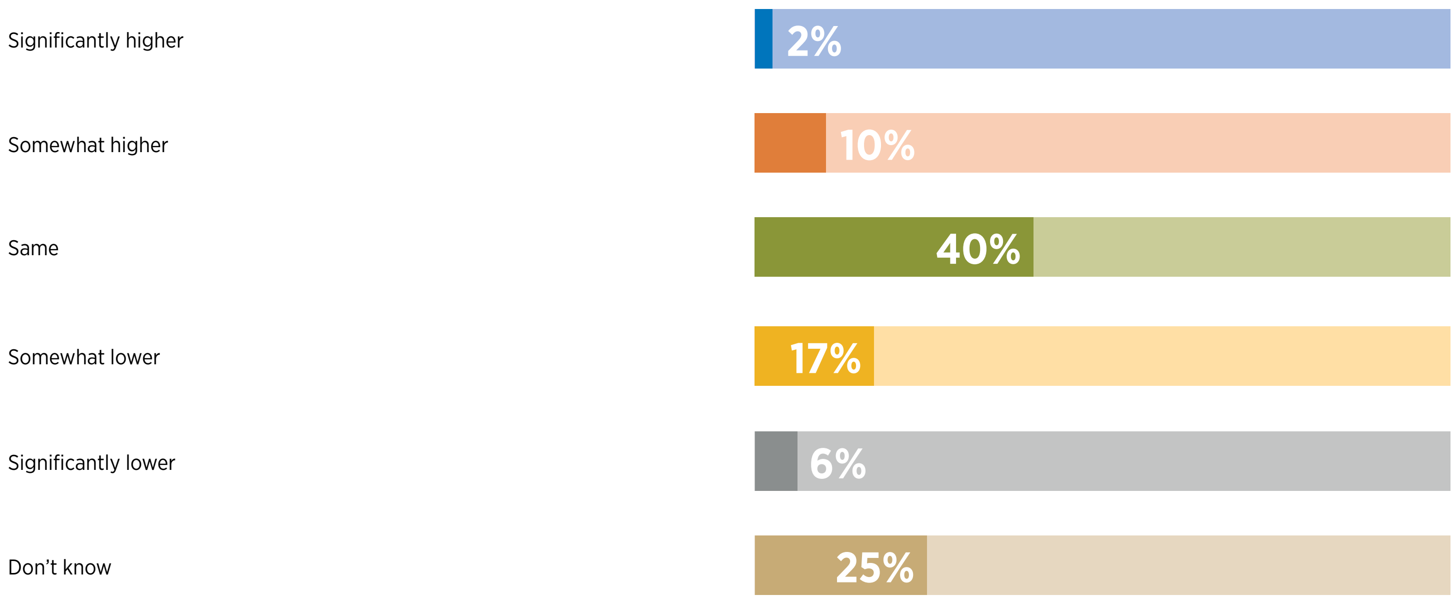
The impact of COVID-19 on healthcare costs is neutral or lower than expected for nearly two-thirds of employers.

Most employers (63%) anticipated their 2020 healthcare expenses will either meet original projections (40%) or come in lower (23%). Just 12% expected actual costs will exceed them, while 25% weren't sure how these financials will wrap up.

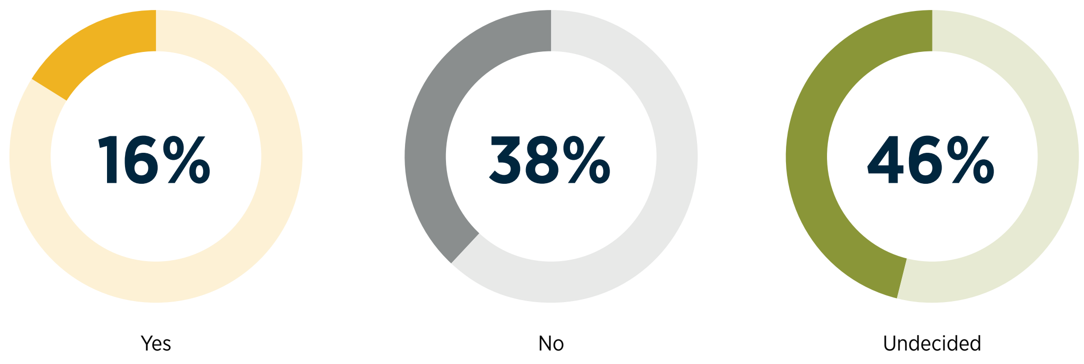
A key reason for lower costs and uncertainty is avoidance of preventive healthcare. As a consequence of the nationwide shutdown, many employees were shut off from getting routine and elective care, due to closed facilities or their fear of exposure to the novel coronavirus. It's expected that 60%–70% of deferred procedures won't be completed, such as physicals, vaccinations and mammograms.[1]

Certainly, the advantage for employers is lower near-term claims costs. But the downstream health risk of avoiding preventive care — which can help detect issues early on — could be greater. Almost half (46%) of employers haven't decided whether to address their workforce about these choices, and only 16% have already done so or plan to.

ACTUAL COMPARED TO PROJECTED HEALTHCARE EXPENSES IN 2020



ADDRESSED OR PLAN TO ADDRESS PREVENTIVE HEALTHCARE MISSED DUE TO COVID-19 CONCERNS



[1]Gallagher, "COVID-19 Practice Update: Healthcare Analytics," April 2020

FINAL REMARKS

A big part of the new normal for competing effectively in any business has increasingly become reliance on good data that suits the exact need—at the right moment.

For HR, that means creating flexible total rewards strategies, policies and practices that can be reconfigured more readily to align with trends in workforce needs and interests against a backdrop of economic and organizational challenges.

This report is one in a series provided by Gallagher to support better talent management decisions with updated data and insights on COVID-19.

To access more resources—including our Return to Workplace Guide and its five-step process for protecting your people, property and profits—visit ajg.com/pandemic.

Beyond the pandemic, we'll continue to provide updated information that builds agility in the face of the inevitable and the unknown—because a technology-driven, innovation-oriented and interconnected world will continue to bring unprecedented change.

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