

A man with a beard, wearing a blue short-sleeved button-down shirt, is sitting in a black office chair at a desk. He is looking at a laptop screen and has his right hand on the keyboard. The background is a modern office with large windows and glass partitions. A yellow graphic element is overlaid on the top left of the image.

Managing workforce economics in a COVID-19 downturn

HR Levers to Pull
April 2020

COVID-19 Current State Analysis

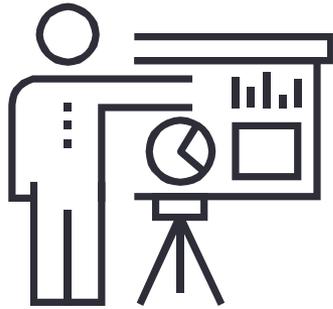
Answers to the following questions should help HR leadership drive actions and strategic planning needed to navigate through the COVID-19 crisis

- 1 How has COVID-19 impacted your operations (e.g., are all Business Units similarly impacted)?
- 2 What is the scope of the financial challenge and what is HR's role in addressing the problem?
- 3 What actions/changes have been taken or assessed to date?
- 4 What actions are you considering to take to address short term financial needs?
- 5 What are the anticipated impacts of any actions on employees and how will you assess them?
- 6 What is the value of each action and is it cost reduction or cost avoidance?
- 7 How will you implement each action/change to address the problems you have identified?
- 8 How will you manage the messaging and communicate these changes to employees?
- 9 What is the impact to the employer brand?

COVID-19

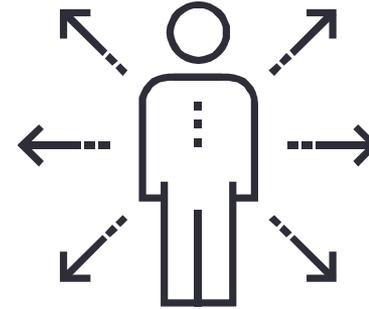
External pressure on operations

Organizations face unexpected financial pressures



How will companies meet the needs of employees, customers and shareholders short- and long-term?

Executive teams need to act quickly to secure the future



What tactics can be employed to reduce our cost base, but retain our talent?

COVID-19

Trust, risks and needs

In addition to addressing the health and welfare of their employees, HR leadership must be proactive in bringing concrete, actionable ideas to the table, resulting in tangible savings

- ▶ Take action with a humane and thoughtful approach
- ▶ Communicate honestly, consistently and often
- ▶ Implement cost saving and cost avoidance measures to address evolving company needs
- ▶ Consider long term implications prior to making any short-term decisions

Building trust	Financial stability of business	Address workforce questions proactively	Transparent Communication	Consistent treatment of employees
Critical risks	Employee morale	Turnover/Retention	Productivity/ Customers	Ability to ramp back up
Legal and compliance needs	Global and domestic considerations	Union and Works Council engagement	Managing conservative culture dynamics	Time to implement

COVID-19 HR levers to pull

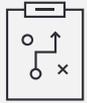
Organizations need practical and actionable levers to pull to meet the current business and people needs with today's disrupted operating environment



Reduce and reallocate discretionary spending



Implement voluntary severance/retirement programs



Implement hiring freeze/pause



Review pension & insurance policies



Consider voluntary and involuntary Employment sharing arrangements



Implement unlimited PTO plans



Restructure incentive arrangements (equity/bonus/commission)



Establish an employer-sponsored foundation



Delay/freeze compensation adjustments



Restructure H&W expense

COVID-19

Evaluate alternatives

When building an action plan, evaluate decisions based on value vs. employee impact, align across stakeholders, and implement while being mindful of managing change and timelines

Business value of change	Impact to employees		
	High	Medium	Low
High	<ul style="list-style-type: none"> ▶ Division closure/sizeable reduction in force 	<ul style="list-style-type: none"> ▶ Reduction in hours 	<ul style="list-style-type: none"> ▶ Reduce non-critical discretionary spend ▶ Reduce contingent labor spend
Medium	<ul style="list-style-type: none"> ▶ Targeted reduction in force ▶ Salary reduction (Executives or all) ▶ Employer sponsored foundations (tax exempt) 	<ul style="list-style-type: none"> ▶ Bonus reductions (Execs or all) ▶ H&W cost decrease 	<ul style="list-style-type: none"> ▶ Hiring/promotion freeze ▶ Voluntary furloughs (unpaid) ▶ Voluntary furloughs (unpaid with benefits) ▶ Early retirement ▶ Voluntary severance
Low	<ul style="list-style-type: none"> ▶ Outsourcing 	<ul style="list-style-type: none"> ▶ Salary/merit freeze ▶ Robotic Process Automation 	<ul style="list-style-type: none"> ▶ LTI freeze ▶ Exit low performers

Ability to implement key:



COVID-19

HR Team Next Steps

- ▶ Review range of actions which address current business needs, assessing financial vs. workforce impact, ease/speed of executing the change, legal considerations and applicability by geography
- ▶ Seek advice and necessary counsel to implement actions outside of normal day-to-day operations (e.g., furloughs, DC plan match freeze, pension freeze (if applicable), unlimited PTO)
- ▶ Tailor actions based on value of the change, past messages to employees and recent plan changes (e.g., pension/insurance provision adjustments to base/legal requirements)
- ▶ Prioritize actions based on business needs
- ▶ Develop a thoughtful approach and clear messaging on how to implement these actions, including announcing multiple actions as a set rather than as one-offs
- ▶ Be transparent and share with employees current business dynamics and requirements and why these actions are the best to stabilize business financials based on what we know now
- ▶ Be clear that actions may need to be revisited if things don't improve

COVID-19 Getting Started

Gather Data

2-3 days

- Understand business need and revenue impacts
- Collect employment cost data
- Establish initial cost reduction needs
- Establish cost reduction principles

Detailed Analysis

3-5 days

- Model 3-5 scenarios based on cost reduction needs
- Conduct virtual workshop to review scenarios and align
- Conduct detailed analysis on desired scenario

Plan and Execute

Build plan: 3-5 days; Execute: Varied

- Leadership sign-off
- Operational actions required to execute (legal and compliance review, payroll, vendor communications, etc.)
- Organization and talent planning for any headcount or cost reduction
- Change and communications plan

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