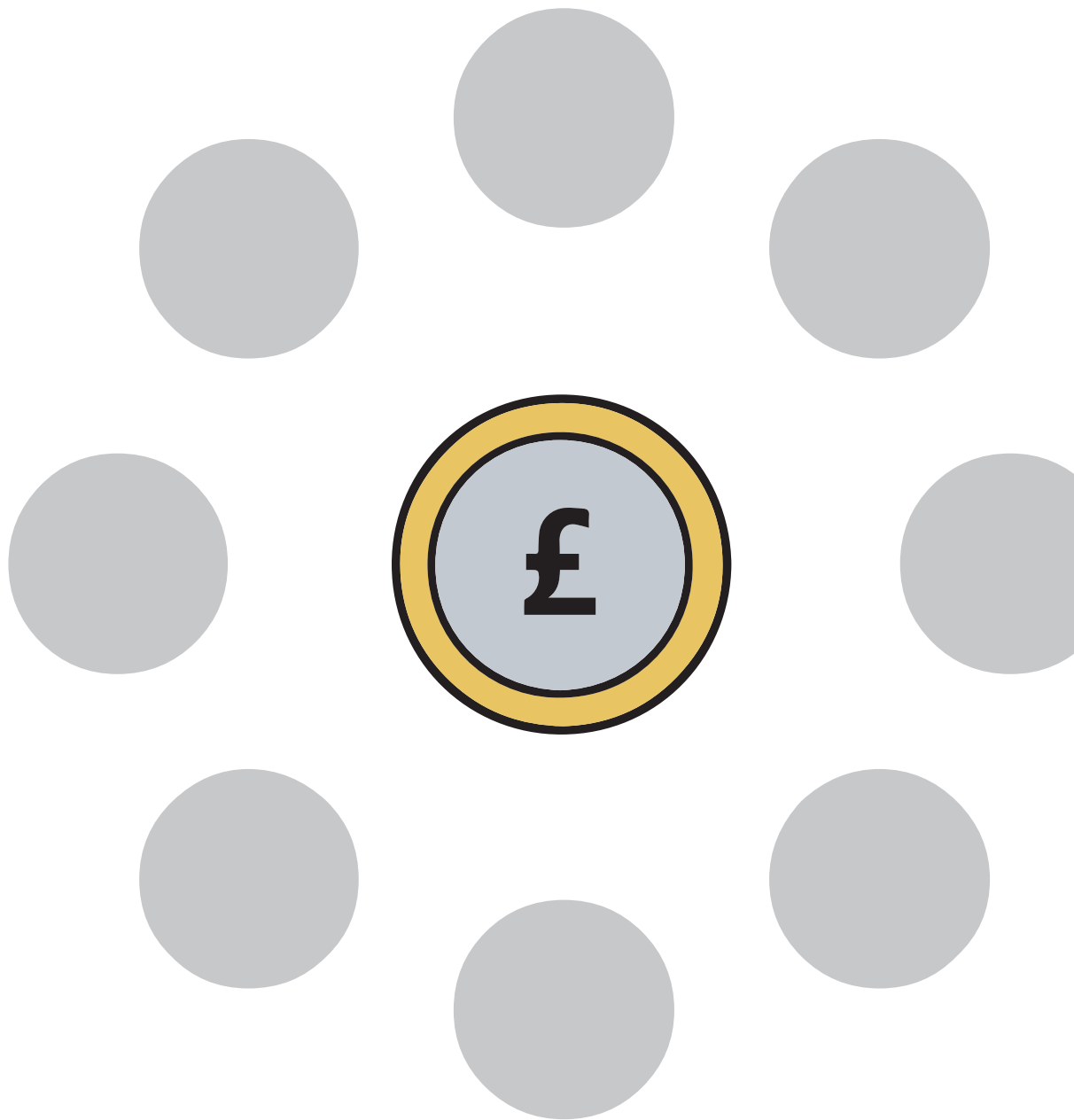


Rewards after Covid: Back to the future



About the IPA

The IPA exists to promote the involvement and participation of employees in their places of work, and through doing so improve the quality of working lives. The IPA is Britain's leading organisation delivering partnership, consultation and employee engagement in the workplace.

Through our research and practice we develop new ways of working, based on trust and collaboration that deliver better workplaces and better outcomes – employee wellbeing, increased productivity and improved services.

The IPA is a not-for-profit organisation, funded by membership subscriptions and fee income from consultancy, training and research services. We are one of the few 'open spaces' in the UK where employers, trade unionists and other workplace representatives, academics, legal experts, human resource and employment specialists can come together with politicians and policymakers to discuss and debate employment issues and policy.

www.ipa-involve.com

Follow us on twitter - @IPA_Involve



About the author

Dr Duncan Brown sits on IPA's executive committee. He also acts as a trustee and independent HR board member for organisations including: the Pensions Policy Institute, Christian Aid, the London School of Economics and CIPD's pension fund. He now works as an independent reward adviser and researcher, having spent his career with major HR consultancies and research institutes. He was also the deputy head at CIPD for five years.

He has been associated with many of the major pay reforms over the past 20 years including Agenda for Change in the NHS; and he has carried out major reviews for the government of the pay methods for Armed Forces' personnel, doctors and dentists, and judges. He regularly provides evidence and advice to government reviews, including most recently the House of Commons inquiry into the unequal impact of the pandemic.

Duncan has a doctorate in reward strategy, an MBA from Cambridge, an MBA from the London Business School, and he lectures at the Universities of Roehampton, Greenwich, Kingston and East London.



Contents

Introduction	1
<hr/>	
'All in this together?' The plague of inequality	4
<hr/>	
Employment and reward policy choices: back to 'normal' or build back fairer?	9
<hr/>	
Reward policy examples: Saints, sinners and glimmers of hope	10
<hr/>	
Reward Choices and Actions for 2021 and beyond	14
<hr/>	
Conclusions	23
<hr/>	



Introduction

“Fools rush in, where angels fear to tread”.

That was the wisdom first expressed by our famous local Augustan poet, moralist and satirist here at home in Twickenham, Alexander Pope¹, in 1711, anticipating quality guru Edward Deming’s continuous improvement cycle of Plan-Do-Check-Act (PDCA)² by 250 years or so.

Forecasting pay and reward trends is, as I have found to my cost throughout my career, a fool’s game at the best of times, never mind that I write still in the midst still of this unprecedented pandemic with a third wave and lockdowns in response rolling across continental Europe.

No wonder surveys of HR priorities and my own webinar-polls over the past 12 months³ have shown HR activity to be very much focused on the “here and now”, of furloughing and mental health support and the like, with little time for forward planning or reflection.

Forecasts and fears

I confidently predicted the death of job evaluation and a move to “clean cash” in the “greed is good” 1990’s, completely missing the growing impact of EU-driven equality legislation, which strengthened the first, and flexible benefits platforms which quashed the second.

And while the years of anaemic economic growth post-2008 financial crash surprised nobody, nobody I know or read forecast the decade of real pay and pension cuts for the majority of the UK working population that we subsequently experienced in the 2010’s, the worst decade for living standards for at least 200 years⁴. My emails from 12 months ago still confidently referred to my UK top-to-toe cycle trip planned for June, blissfully unaware of the Covid tidal wave which was about to strike us and push my journey probably two years into the future.

Yet the current Crisis doesn’t mean we should stop learning from the past and planning for the future, as Deming’s business revolution famously prescribed.

Daniel Defoe published his *Journal of the Plague Year* ten years after Pope’s observation, more than 300 years ago. Although a novel, it was designed to promote the “public good” and highlight the lessons learned to help to prevent any repeat, after a quarter of the City’s population had been killed off by the last major plague to strike London until 2020.

That bubonic plague had actually occurred half a century earlier in 1655, offering Defoe plenty of time and perspective to reflect on the learning which he then drew and described from such a deadly occurrence. This included: the benefits of the forced collective lockdown imposed by the City’s authorities; and on the downside, the impact of “the strange temper” and selfish “me” behaviour of some individual citizens which “contributed extremely to their own destruction”. Partying pandemic super-spreaders are nothing new apparently.

¹ Richmond Libraries ‘Local History Notes: Alexander Pope’. Available at: https://www.richmond.gov.uk/services/libraries/branch_libraries/local_studies_collection/local_history_notes/alexander_pope-2

² Kanbanize ‘What is the PCDA cycle?’. Available at: <https://kanbanize.com/lean-management/improvement/what-is-pdca-cycle>

³ See for example REBA (2020) Available at: <https://reba.global/reports/the-ongoing-effects-of-covid-19-on-pay-and-benefits>

⁴ Tiley, G. ‘17-year wage squeeze the worst in 200 years’. Available at: <https://www.tuc.org.uk/blogs/17-year-wage-squeeze-worst-two-hundred-years>

Defoe was also the originator of the phrase, later borrowed in times of crisis by Roosevelt, Churchill and many other leaders since then, that the “fear of danger (and acting in response to it) is more terrifying than the danger itself.” Listen to Roosevelt’s electrifying inauguration speech⁵ in 1933 and his announcement of the ‘needed efforts to convert retreat into advance’, with his incredibly forward-looking and ambitious, (many at the time forecast disastrous), massive New Deal investments to address the ‘common difficulties of existence’ of tens of millions of Americans.

We face not dissimilar challenges, as a society and as employers and HR and reward professionals today, working out just how to escape from this economic and health Armageddon. As journalist Andrew Hill⁶ points out, there is precious little sign yet, amidst the defensive and self-justifying reactions of our leaders to what Boris Johnson called with typical understatement this “epic of endurance and privation”, of the essential public inquiry and application of Deming’s more productive PCDA approach.

So just what have we learned over the past year and what should we be planning ahead for in the next in UK employment and reward management? As the fantastic vaccination-programme at last seems to be putting this horrific virus into retreat, what’s the right balance ahead of an understandable sigh and “retreat” to the pre-pandemic situation versus an ambitious “advance” to a “new normal”, of Pope’s “fools’ and angels”? And what do we need to do to convert the former into the latter in each case?

Covid contexts and choices

Your initial impression might well be that our 2020/21 version of the plague and Great Depression combined and its hugely detrimental health and economic impact is not generally going to be good news for pay and rewards in the UK; and you would be correct of course. As *Forbes* magazine⁷ noted in its end of year edition, “The past year brought a combination of challenges that nobody could have anticipated: A global pandemic, a wounded economy, and a reckoning over racial injustice – and that was all before July!”

The onset of the pandemic in 2020 saw a record decline in UK GDP - 20 per cent in the first quarter – or the worst year for economic growth at least since the Great Frost of Pope’s time (1708). Oxford Economics forecast a still awful 4 per cent decline in Q1 2021. Yes, the 2021 outlook for the UK economy looks distinctly gloomy. Despite the denial of any repeat of post-2008 austerity, the Chancellor on November 25th announced a “pay pause”⁸ for the majority of the 5.5 million public sector workforce in order to help to start to address the £2 trillion debt-burden induced by the pandemic. Interestingly, he described it as “fair” given what is happening in the private sector, although his political opponents labelled it as “morally obscene.”

⁵ Vermont Humanities (2017) ‘Nothing to Fear, But Fear Itself: FDR and the New Deal’. Available at: <https://www.vermonthumanities.org/event/fdr-and-the-new-deal/>

⁶ Hill, A. (29.3.21) ‘UK owes it to victims to start a public inquiry now’, *The Financial Times*.

⁷ Cohen, S. (30.12.20) ‘You survived 2020. These four ideas will help you thrive in 2021’, *Forbes Magazine*. Available at: <https://www.forbes.com/sites/sethcohen/2021/12/30/you-survived-2020-these-4-ideas-will-help-you-thrive-in-2021/?sh=dd7db1f3ef3f>

⁸ Cowburn, A. (22.11.20) ‘Rishi Sunak fails to rule out ‘morally obscene’ pay freeze for millions of public sector workers’. *The Independent*. Available at: <https://www.independent.co.uk/news/uk/politics/rishi-sunak-public-sector-pay-freeze-spending-review-b1759881.html>

The TUC⁹ called the chancellor's action a "kick in the teeth" to all key workers who had kept the country going through the coronavirus crisis. Its General Secretary Frances O'Grady elaborated: "We saw ministers join millions of us clapping firefighters, refuse collectors, social care workers – I don't think this would be the time to reward them with a real pay cut. Surely the government doesn't think it can reintroduce austerity for the people who put their health, and in some cases their lives, on the line to help the rest of us? If you want to motivate a workforce facing a second wave of a pandemic, the last thing you do is threaten to cut their pay."

The exclusion of nurses from the pay pause, for a proposed whopping 1 per cent award, attracted a further storm of criticism, with the Royal College's criticism of the "pitiful" offer apparently refuting health minister Nadine Dorries's claim that nurses "do their job because they love their job"¹⁰.

The private sector faces a similar dilemma and "cost/motivation crunch" in 2021, even though Institute for Employment Studies (IES) analysis showed that a peak of more than eight million of their employees have been on the government's payroll for at least part of the pandemic through the Chancellor's Job Retention Scheme, and over 4 million remain¹¹ so in the first quarter of 2021.

Incomes Data Research¹² in its Pay Planning 2021 review covering over 300 employers found slightly more positively that the median pay award in 2020 was 2.3 per cent with 16 per cent of all reviews resulting in a pay freeze, and significant variations by sector. Almost half of reviews in 2020 though were below the previous year and approaching two thirds of these firms predicted lower awards still in 2021. But I am going to argue more positively that 2021 represents a critical pivot and decision point for governments, employers and HR leaders: do we move forward with new and fairer reward strategies, or revert to tired failing ones? Do we pursue investment or austerity, practice compassion and collectivism or continue to incentivise individualism and inequality? The choice and change is ours to make.

⁹ TUC (29.12.21) 'Public sector workers paid over £1,000 less than 10 years ago'. Available at: <https://www.tuc.org.uk/news/public-sector-key-workers-paid-over-ps1000-less-today-decade-ago#:~:text=This%20follows%20a%20decade%20of,going%20through%20the%20coronavirus%20crisis>.

¹⁰ Bradley, S. (5.3.21) 'Tory minister hits back at criticism of 1% pay rise for NHS staff'. The Week, Available at: <https://www.theweek.co.uk/952158/unions-attack-1-per-cent-pay-rise-frontline-doctors-nurses>

¹¹ ONS (March 2021) 'Comparison of Furloughed job data'. Available at:

<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/articles/comparisonoffurloughedjobsdata/march2020tojanuary2021>

¹² Woolcott, Z. (4.12.20) 'Proportion of pay freezes in 2020 is over five times higher than last year'. *IDR Viewpoint*.

“All in this together?” The plague of inequality

Rhetoric and reality for executives

“All over our planet, we are all pulling together in a massive way to beat the health threat that has turned our world upside down.” (Bernard Looney, CEO, BP¹³)

Chief executives the world over have been prone to making similar “we’re all in this together” comments over the past 12 months in recognition of and appeals to their employees, with varying degrees of justification. The trouble is that in both their actual treatment of their employees from the highest to the lowest paid, and their wider commitments to society and stakeholders beyond just their shareholders, the pandemic has shone its extreme spotlight on chief executive and corporate practice, as well as the wider unfairness of the social contract for business and the UK’s welfare state itself.

Any gaps between vapid rhetoric and empty values-statements and the reality of actual corporate practice and executive behaviour have been brutally exposed, highlighting what the *Financial Times*¹⁴ christened our “corporate saints and sinners.” When Hartwig Fisher, director of the British Museum, which attracted controversy and industrial action in the last recession for contracting out certain of its lower paid roles, tweeted his solidarity for Black Lives Matter in May 2020, writer Stephanie Yeboah immediately fired back, “Did our lives matter WHEN YOU STOLE OUR THINGS?!” Similar inconsistencies and inequalities, as we shall see, have been exposed in employer and executive pay and reward practices these past 12 months.

Looney by the way was appointed on a salary of £1.3 million plus incentive schemes and benefits in February 2020. His predecessor, another man of course, Bob Dudley earned a total of¹⁵ £9.35 million in 2019. Through the UK’s new pay ratio corporate reporting requirement, we can now see that this was the equivalent of 543 times what the lower quartile earning employee in the Company earned that year.

Analysis by the High Pay Centre¹⁶ published in December showed that this was the second widest gap (after Ocado) amongst the UK’s FTSE 350 companies. Amongst BP’s peers in the largest FTSE 100 companies, the median CEO/employee pay ratio was 73:1 and the median CEO/lower quartile ratio was 109:1. Forty years ago the median chief executive was paid 18 times the median employee in their company.

So employees in these companies are less “all in it together”, pay and rewards-wise, with their leaders than they were, especially in companies with obscenely rich long-term executive incentive plans that don’t enfranchise all of the employees, like Ocado.

Wider differentiation in pay within employers has been matched over the past decade by a general growth in wealth inequality. Dame Minouche Shafik¹⁷, Director of the London School of Economics pointed out in an episode of “Rethinking Fairness” on Radio 4 that lax fiscal policies and quantitative easing by Western governments, alongside of their generally much lighter taxation of capital compared to labour, has discouraged investment in high skilled jobs but amplified the return on financial investments. This essentially means that the already-rich have got richer and the lower-paid and-skilled poorer.

¹³ BP (2020) In this together. *BP Insights*. April 23rd. <https://www.bp.com/en/global/corporate/news-and-insights/covid-19-bp-response/inthistgether-our-response-to-covid-19.html>

¹⁴ The Financial Times (18.5.20) ‘Business saints and sinners in the Coronavirus Crisis’. Available at: <https://www.ft.com/content/7ef426a8-964f-11ea-af4b-499244625ac4>

¹⁵ BP (2020) ‘Directors’ Remuneration Report’. Available at <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-remuneration-at-a-glance-2019.pdf>

¹⁶ High Pay Centre (16.12.20) ‘Pay ratios and the FTSE 350: Analysis of the first disclosures’. Available at: <https://highpaycentre.org/pay-ratios-and-the-ftse-350-an-analysis-of-the-first-disclosures/>

¹⁷ BBC Radio 4 (8.01.20) ‘Rethinking Fairness’. Download at: <https://www.bbc.co.uk/sounds/play/m000qyw2>

The pandemic has magnified this effect. Between March and September 2020, it is estimated that the wealth of the 643 billionaires in the US increased by 29 per cent, a staggering \$845bn (£630bn). Over the same period the hourly pay of the bottom 80 per cent of the workforce declined by 4 per cent¹⁸.

Inequalities in Britain may be less dramatic, but our own levels in health and wealth seem increasingly incompatible with a fair and healthy society as this pandemic rolls on.

Covid and unequal mortality

COVID-19 has therefore turned out not to be the equivalent of “the great leveler” before God of Old Testament “plagues and pestilences”¹⁹ that Defoe refers to. It certainly hasn’t turned the UK’s reward clock black to the 1980’s when I started my career and there were almost no executive incentive plans or zero-hours contracts in place, drivers and features of our increasingly unequal employment landscape. The effects have rather been the reverse. It has intensified the UK’s already deepening social, health and income inequalities – between rich and poor, male and female, white and black, older and younger. The economic and health impact in the UK and globally has been far worse on the already poor and lowest paid and on minority and supposed ‘protected’ groups in society.

According to Mckinsey’s Covid dashboard²⁰ the unemployed and the poor have been 2.4 and 1.5 times more likely to die from Covid than the rest of us. The UK has one of the lowest rates of both unemployment benefit and state sick pay in the OECD intensified by the benefits freeze after the last recession in 2008, averaging 17 per cent of pre-employment incomes (in New Zealand its 34 per cent, in Germany 59 per cent).

Covid, gender and racial inequality

I hesitate somewhat from referring to women as a “minority group”, but having given evidence late last year to the House of Commons Women and Equality Committee inquiry on the unequal impact of the pandemic on people with protected characteristics²¹, there can be no doubt that female employees have been disproportionately badly affected. According to the ONS²² the risk of death involving COVID-19 for people of Black ethnic background of all ages was two times greater for men and 1.4 times greater for women, compared with those of White ethnic background.

¹⁸ *The Guardian* (17.09.20) ‘Wealth of US billionaires rises by nearly one-third during the pandemic’. Available at: <https://www.theguardian.com/business/2020/sep/17/wealth-of-us-billionaires-rises-by-nearly-a-third-during-pandemic>

¹⁹ Warner University (2020) ‘Plagues and the bible’. Available at: <https://www.warner.edu/plagues-and-the-bible/>

²⁰ McKinsey (2020) ‘A take of 2020 in 20 charts’. Available at: <https://www.mckinsey.com/featured-insights/2020-year-in-review/a-tale-of-2020-in-20-mckinsey-charts?cid=other-eml-alt-mip-mck&hdpid=1d81d4f2-9115-4d95-86b4-d67c2f6a20d2&hctky=9809196&hlkid=f5ea6523ea164332ad39ae5f480220b9>

²¹ UK Parliament Committees (2020) Available at: <https://committees.parliament.uk/event/2377/formal-meeting-oral-evidence-session/>

²² ONS (26.6.20) ‘Covid-19 related deaths by occupation’. Available at: <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-remuneration-at-a-glance-2019.pdf>

We have also heard evidence presented here of the increased risk and severity of domestic abuse on women when there is a requirement to stay at home during the pandemic; that women have borne the brunt of childcaring and schooling responsibilities, resulting in them taking a much bigger hit on their working hours and income than men during the pandemic.

That same inquiry reported in December²³ that:

“Throughout the coronavirus pandemic, Black, Asian, and minority ethnic (BAME) people have been acutely affected by pre-existing inequalities across a huge range of areas, including health, employment, accessing Universal Credit, housing and the no recourse to public funds policy. As the pandemic progressed, many of these underlying inequalities made the impact of the pandemic far more severe for BAME people than their White counterparts.”

The precarious nature of much of the UK growth in employment over the past decade also came in for criticism by the Committee ‘deeply concerned by the impact of the zero-hours contracts’:

“The coronavirus pandemic has sharpened the focus on the systemic issues with the zero-hours contracts policy, including the disproportionate number of BAME people (and women) on zero-hours contracts...the unequal way that zero-hours contracts operate: employers can deny furlough to employees and instead reduce their working hours to zero. In some cases, workers on zero-hours contracts are ineligible for Statutory Sick Pay.”

As already noted, the pandemic has highlighted the lack of employer and state social protection and support for the already growing numbers of the lowest earning employed²⁴ and self-employed²⁵ workers, both assessed to number some five million plus people and represent between 15% and 20 per cent of the workforce 12 months ago. According to KPMG’s data even in late 2019, in those blissful months before the pandemic struck, 24 per cent of women working in the UK experienced in-work poverty compared to 15 per cent of men. Not surprisingly therefore, the majority of the growing number of children living in poverty in the UK, disgracefully, have a working parent, typically their mother.

An article in the *Lancet* criticised the lack of gendered response to COVID-19, pointing out that “Recognising the extent to which disease outbreaks affect women and men differently is a fundamental step to understanding the primary and secondary effects of a health emergency on different individuals and communities, for creating effective, equitable policies and interventions.” There it is again, the equity or fairness word, or more often in the pandemic, inequity and unfairness. And as we know under the scientific method and PCDA framework, we can’t plan, move forward and act without first reviewing and learning from what has gone before.

²³ Report available at: <https://publications.parliament.uk/pa/cm5801/cmselect/cmwomeq/384/38403.htm>

²⁴ KPMG (4.11.19). available at: <https://home.kpmg/uk/en/home/media/press-releases/2019/11/jobs-paying-less-than-real-living-wage-drops-to-seven-year-low.html#:~:text=The%20number%20of%20jobs%20paid,by%20IHS%20Markit%20for%20KPMG.>

²⁵ ONS (17.04.20) Coronavirus and self-employment in the UK. Available at:

[https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusandselfemploymentintheuk/2020-04-24#:~:text=By%20the%20fourth%20quarter%20\(Oct,up%20from%2012%25%20in%202000.](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/coronavirusandselfemploymentintheuk/2020-04-24#:~:text=By%20the%20fourth%20quarter%20(Oct,up%20from%2012%25%20in%202000.)

The government's lack of action is likely to mean that in many organisations equal and gender pay is liable to "fall off the board agenda quite quickly", as Fiona Cannon²⁶, Head of Inclusion from Lloyds Banking Group explains, unless firms commit to continue reporting on them; particularly given the financial and economic pressures of the expected double-dip recession taking priority. Analysis²⁷ of the 5,822 reports posted on the government's website before the compulsion was suspended shows this to be happening already, with a 0.9 per cent increase in the median pay gap amongst these employers over the prior 12 months to 12.8 per cent, reversing the progress of recent years.

UN Women have launched a new tracker²⁸ of policy responses to counter the social and economic consequences of the pandemic for women. The tracker shows that 42 countries, one fifth of those analysed, have no gender-sensitive measures in response to COVID-19 at all. Only 25 countries, 12 per cent of the world studied, have introduced comprehensive measures. Social protection, care crisis and jobs responses they observe "have been largely blind to women's needs."

The UN's conclusion is that "Despite the clear gendered implications of the crises, response and recovery efforts tend to ignore the needs of women and girls until it's too late. We need to do better." According to UN Secretary-General Antonio Guterres, who chastised governments last October for their lack of response: "a higher level of ambition is needed to make the necessary policy changes."

Worsening social and health inequality

Defoe in his *A Journal of the Plague Year* recorded the horror of the deadly bacteria through the eyes of a fictional saddler living in the East End. 350 years since a pandemic last hit London, with all of the amazing scientific advances in vaccines and treatment achieved through our modern medicine and technology, it might seem that much has changed. However, the social and economic inequalities recorded by Defoe have remained frighteningly similar to today, with the "terrifying rise"²⁹ in infections in January 2021 meaning that more than 50 per cent of the residents in some of the same East London boroughs Defoe described already have had or have COVID-19 in early 2021. Two of the most important reviews of worsening social and health inequalities in the UK and internationally over the past decade both reported updates in the wake of Covid at the end of 2020:

- The UCL Institute of Health Equity's The COVID-19 Marmot Review³⁰ (published on 15 December 2020 and led by Professor Sir Michael Marmot) and following an update to his original 2010 review of inequality in February 2020;
- The Institute for Fiscal Studies' (IFS) Deaton Review of Inequalities³¹ (update published on 5 January 2021 and led by Sir Angus Deaton).

²⁶ Bell, A. (76.10.20) 'Focus on UK gender pay gap slips after Covid-19'. *The Financial Times*. Available at: <https://www.ft.com/content/046fedb8-4765-4336-a370-b2a1b2aade58>

²⁷ As above.

²⁸ Available at: <https://www.unwomen.org/en/news/stories/2020/9/press-release-launch-of-covid-19-global-gender-response-tracker>

²⁹ *Daily Mail* online (17.1.21) available at: <https://www.dailymail.co.uk/news/article-9134361/Coronavirus-UK-East-London-approaching-herd-immunity.html>

³⁰ The Covid-19 Marmot Review (15.12.20) Commentary available at: <https://reba.global/reports/report-build-back-fairer-the-covid-19-marmot-review>

³¹ The IFS Deaton Review of Inequalities (5.1.21) Commentary at: <https://reba.global/reports/the-ifs-deaton-review-of-inequalities-a-new-year-s-message>

Both showed COVID-19 had led to greater inequality. Sir Angus's report evidenced how the most vulnerable in society have been hardest hit by the crisis, which had "cruelly exposed huge variations in how easily we are able to weather threats to our livelihoods, educational progress, to physical and mental health." The latter area of mental health and related issue of financial wellbeing (as regular readers of my annual reviews of the pay and rewards world for IES will remember) have been a key focus in the reward strategies of the better UK employers for some years now.

Improvements in average American working class life expectancy stalled and went into reverse some years ago, with social and economic changes driving the horrific levels of "deaths of despair"³² from suicide, drugs and alcohol that Deaton and Anne Case have profiled, highlighting that "The unfairness of our economy can be measured in deaths as well as dollars" in an eerily prescient assessment in advance of this totally unanticipated pandemic.

Sir Michael's report paints an almost equally bleak picture in the UK: stalling life expectancy and rising inequalities between socioeconomic groups and regions. Most remarkable is the bucking of the long-term trend of health improving year-on-year over the past decade of Austerity: a woman living in the most deprived area in north-east England, for example, had less chance of living a long and healthy life in 2019 than she would have had 10 years earlier. The COVID-19 update highlights that these pre-existing and worsening patterns of social and economic inequality almost perfectly predict the mortality rates from the virus, as such information had it been available would almost certainly have done in Defoe's time as well. Marmot's research found "the more deprived the area, the higher the mortality rate."

³² Gawande, A. (16.03.20) 'Why Americans are Dying from Despair'. *The New Yorker*. Available at: <https://www.newyorker.com/magazine/2020/03/23/why-americans-are-dying-from-despair>

Employment and reward policy choices. Back to 'normal' or build back fairer?

Both of these reviews primarily direct their conclusions to the UK government. So why you might be wondering am I giving you all of this information on social and health inequality? Surely that's for government not employers and their HR functions to review and sort out, and you need to know what HR should be doing with their pay and reward systems?

Professionally it's a huge question for those of us in pay and benefits. The last Austerity-dominated, supposed "jobs miracle" decade, as we have seen, in reality witnessed a huge growth in low paid, low skilled jobs filled especially by young and female workers employed on precarious short-term contracts; while shareholder- and individual-driven incentive plans fuelled continuing escalation in executive remuneration and differentials. The focus in state and employer benefit plan designs switched away from collective security through defined benefit pensions, sick pay and insurance plans to "freedoms", individual choice and flexibility. And risk.

These trends were not driven by some isolated and uncontrollable economic market force, Adam Smith's "invisible hand", but by a myriad of individual employer, remuneration committee and HR decisions.

We in HR were the people who set those as-low-as-possible pay levels and drafted those zero-hours contracts, often unaware that these workers relied on state in-work benefits (also being cut) and had kids living in poverty. We contracted out those ancillary activities and lower paid jobs to agencies, contractors and the self-employed/unprotected, outsourcing concerns about whether the people in these jobs earn enough to feed their families, whether even our minimalist UK employment protections were actually being enforced. We designed those executive LTIPs that have inflated differentials and pay inequality, we closed those guaranteed DB pension plans and set up individual DC arrangements with employees carrying all the risk, we outsourced health and wellbeing and bought in the employee assistance helplines, which in at least some cases have been found severely wanting during this crisis.

Is this really what we want to go back to and continue post-pandemic?

The latest Marmot report update makes the employment and wider social responsibilities of business and employers clear as it:

"builds on recommendations in the "10 Years On" and "Marmot 2010" reports, which were to:

- Give every child the best start in life and enable all children, young people and adults to maximise their capabilities;
- Create fair employment and good work for all;
- Ensure a healthy standard of living for all, creating and developing healthy and sustainable places and communities;
- Strengthen the role and impact of ill health prevention."

Sir Michael Marmot's conclusion and answer to Roosevelt's "retreat or advance" question is unequivocal:

"the "normal" that existed in February 2020 is not acceptable. The COVID-19 pandemic must be taken as an opportunity to build a fairer society."

His latest report is subtitled *Build Back Fairer*.

Reward policy examples: saints, sinners and glimmers of hope

The initial 2020 response

A company's actions in a crisis are "the epitome of determining what its business purpose is", according to Kimberley Lewis, director of engagement at Hermes: "employee wellbeing is clearly something corporations need to focus on at this time"³³. So what happened when the pandemic initially struck?

The French luxury giant LVMH retooled a perfume factory in France at lightning pace to produce hand sanitiser as soon as the pandemic hit in early 2020. Similarly Barbour, maker in North East England of the waxed jacket I have had for 30 years, similarly repurposed its production line in South Shields to make medical gowns free of charge for the National Health Service.

Retailer Fraser Group, owner of Sports Direct, on the other hand initially sought to keep its stores open by categorising them as "essential." Owner Mike Ashley has since apologised for an "ill-judged" response that prompted a backlash from customers and MPs.

The pandemic has certainly put a spotlight on corporate values and purpose, not least on declarations of employees being 'our most important asset'. As well as the obvious "saints and sinners"³⁴ those employers who's actions don't match their words, to their customer, their employees and wider society, have been cruelly exposed.

Retailer Morrisons for example, in the early days of the virus immediately guaranteed the pay of all of its employees and introduced extensive staff protection measures, followed by a £1,000 "thank you" bonus to everyone later in the year. Its staff partnered with local charities to help elderly and vulnerable customers and the firm donated £10 million of supplies to foodbanks during the first lockdown.

US supermarket giant Kroger similarly introduced its self-declared "hero pay" of an extra \$3 ph in March 2020, but then promptly removed it in April, even though sales had increased by 30 per cent.

Gambling firm Bet365, much harder hit by the first lockdown, announced in late March a multimillion pound support package for its 4,400-strong workforce who were unable to work, with guaranteed earnings for five months and no job losses until at least the end of August. Chief executive Denise Coates, the UK's best-paid executive, personally donated £10m to her local NHS trust.

³³ *The Financial Times* (11.05.20) Available at: <https://www.ft.com/content/e85eb8f8-5d77-11ea-ac5e-df00963c20e6>

³⁴ *Ibid.*

Leading by example on executive remuneration?

The Marriott hotel group was equally hard-hit by the outbreak. Its chief executive Arne Sorenson drew praise from the World Economic Forum's founder Klaus Schwab in March 2020 for announcing that he and his chairman would take no salary in 2020. At Disney, the self-styled "Happiest Place on Earth", Bob Iger, executive chairman, immediately gave up the remainder of his \$3m salary for this year, while Bob Chapek, his replacement as chief executive, took a pay cut of 50 per cent of his \$2.5m base salary.

Deeper investigation³⁵ in April however, highlighted that Disney had suspended the pay (averaging \$52,000 pa) entirely for its 100,000 "cast members" and half its total workforce with the closure of its theme parks, who were forced to fall back on the low rates of unemployment benefit in Florida, many US states and the UK. It also turned out that Disney had protected its executive incentive schemes, which account for most of their remuneration. Mr Iger had earned \$65.6m in 2018 and \$47m last year, which represents more than 900 times that of the median Disney worker's earnings.

The UK response on executive remuneration was equally half-hearted, with initial 'voluntary' pay cuts concentrated just on base pay levels; and with a "back to normal" reversion evident as soon as possible.

According to the High Pay Centre, 36 FTSE 100 firms had announced temporary executive base pay cuts by the start of July, averaging some 20 per cent (reflecting the 80 per cent rate at which the government took their furloughed employees onto its payroll – 19 companies in the FTSE 100 used the JRS/furlough scheme and/or the CCFF, with their chief executives earning an average of £3.23m in the previous year). Around half of these pay cuts had been restored by November 1st.

11 firms cancelled annual bonuses for executives for the year. Almost no action was evident on the potentially most lucrative area of LTIPs, bar delays in share grants in a minority of cases.

Fortunately, looking at wider employee rewards, there is more evidence of changes in reward approaches, in response to the pandemic and hopefully for the longer term.

Glimmers of hope: some examples

Reflecting a general rise in working hours through home working, successful technology company and silicon chip designer ARM³⁶ gave everyone a "Day of Care", an additional day away from work to switch off and recharge, after the first lockdown in Summer 2020, then repeated the move in December. As Senior director – Reward, Tegwen Smith explained on a recent REBA webinar, "This is time for us to collectively switch off, with no fear of missing out, which we believe to be even more powerful." She went on to describe why mental health and financial wellbeing, rather than just pay and benefits, are such important components of their reward package at the time of Covid: "It is crucial that we all think about how we can look after ourselves and each other on an ongoing basis."

³⁵ *The Financial Times* (27.04.20) 'Disney and the unequal reality of the Coronavirus in America'. Available at: <https://www.ft.com/content/5152fd4a-861a-11ea-b872-8db45d5f6714>

³⁶ REBA (4.12.20) Available at: <https://www.ft.com/content/5152fd4a-861a-11ea-b872-8db45d5f6714>

Zurich³⁷, the insurer, already offered family friendly benefits before the pandemic hit, including flexible/home working and company enhanced elements of maternity, paternity and adoption leave, with up to 16 weeks full-pay for all parents. It advertises all jobs at every level as available part-time, full-time or job share.

With staff forced to work at home and parents to home-school their kids in early 2020, a range of additional benefits were rapidly introduced including:

- Free antibody tests for all 4,500 UK staff and their families;
- Emergency loans of up to £750 per person available 72 hours following approval;
- The provision of additional free office equipment to ensure safe and effective working from home;
- Launch of a wellbeing hub which includes Babylon, a virtual GP provider for all staff and families;
- Access to Lifeworks, which includes access to advice and counselling, well-being assessments and coaching programmes

Then in early 2021, with schools closed once again in the UK's third lockdown, the Company has introduced an additional two weeks' of paid "lockdown leave" if they face parenting emergencies because of the new restrictions. More than 20 per cent of Zurich's employees are parents. Steve Collinson, Zurich's Head of HR, said: "We're helping our employees get through this crisis by offering mums and dads paid time-off so they can look after their health and their family. This is also available for anyone with other caring commitments."

More Caring, Flexible, Equal Rewards: The start of a trend?

The UK's Reward and Employee Benefits Association (REBA) has been surveying between 100 and 200 employers every couple of months on their pay and reward priorities and actions since the start of the pandemic last March, with the most recent fifth survey³⁸ published in December. Perhaps not surprisingly they have found that the crisis has "impacted on reward and benefits thinking in almost every business."

Initially the surveys highlighted a focus on the immediate needs and concerns of employers and their employees— introducing the furlough scheme, providing PPE for keyworkers, organising homeworking and introducing new benefits to support staff in that environment, ranging from home-schooling to online GPs and therapists and mindfulness apps, dealing with the effects of reduced profits in many businesses on executive bonuses.

These immediate needs, as the situation and government policies have chopped and changed, have remained predominant, and the wider economic backdrop of unprecedented government borrowing and Brexit negatively affecting their financial situation is obviously at the front of minds, with pay budgets coming under intense scrutiny as further extension of the furlough scheme become less and less likely.

³⁷ 'Zurich introduced emergency fully paid lockdown leave' (6.01.21). Available at: <https://www.zurich.co.uk/en/about-us/media-centre/company-news/2021/zurich-introduces-fully-paid-emergency-lockdown-leave-for-parents-and-carers>

³⁸ REBA (1.12.20) Available at: <https://reba.global/reports/the-ongoing-effects-of-COVID-19-on-pay-and-benefits>

But as well as continuing to review and extend their employee wellness benefits, with twice as many investing more in employee benefits than reducing their spend, there are signs in this latest survey and since then of more employers starting to look further ahead and plan out their post-pandemic futures. 27 per cent plan to review their pay strategies and 20 per cent both to restructure their benefits packages and their existing bonus plans. In a reward strategy webinar I ran for XpertHR in March 2021, our polls found that just 27 per cent of the over 400 delegates were planning to revert back to their pre-pandemic pay and reward policies when this is hopefully all over, while 30 per cent were planning on moving over the next few years to a totally different reward approach. The majority in the middle were planning both to keep some tried-and-tested approaches which had stood up during the pandemic but also to reflect their learning, retain some of the new benefits they had introduced permanently and move to a more fairness-focused approach.

In up to one fifth of cases, another study by the insurer Personal Group³⁹ in September 2020 found, benefits changes focused on fair and collective provision, involving moving to common provision and “the low-paid gaining access to company benefits.” The pandemic had helped employers to realise that what had often been provided previously only as “perks” to senior managers, such as enhanced sick pay and medical cover, if anything were more justified and needed by their lower-paid employees.

Additional factors, such as a renewed focus on responsible business and ESG in performance management and pay plans, and the need to re-engage workers after a fragmented and uncertain year, will also be high priorities, according to the REBA survey and my own polling, in 2021 and thereafter.

Other studies seem to confirm this predicted shift in emphasis in 2021 and beyond. Korn Ferry Hay⁴⁰ through a similar series of surveys found that tighter budgets and “huge financial constraints” see predicted UK salary increases in 2021 falling from an average 2.5 per cent to 1.9 per cent, with more pay freezes planned.

But they also find similar pandemic priorities likely to become a permanent feature of these employers’ reward strategies, in three headlining areas: supporting their employee’s physical and mental wellbeing; helping their employees’ to balance their working and life needs; and better understanding and supporting their overall financial wellbeing.

³⁹ As reported by the *Times* (15.09.20) Available at: <https://www.thetimes.co.uk/article/low-paid-gain-access-to-company-benefits-dnqc8tr6b>

⁴⁰ Korn Ferry Hay (2021) Global Salary Survey. Summary of findings available at: <https://www.kornferry.com/insights/2021-salary-survey>

Reward choices and actions for 2021 and beyond

"The coronavirus 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

Mckinsey's latest Women in the Workplace research⁴¹ found that "if nothing is done to address the gender-parity issue during this crisis, it could cost the world \$1 trillion by 2030. In contrast, taking action on the issue now could add \$13 trillion to global GDP in the same period, compared with the "do nothing" scenario."

In that famous New Deal inauguration speech 90 years ago, president Franklin D. Roosevelt pledged "action – and action now", calling for "bold experimentation". He implemented major social and economic structural reforms designed to ensure minimum security for all Americans – social security payments, insurance protection, followed by the federal minimum wage. Companies followed suit – my father is a pensioner of Quaker-founded Eli Lilly, the first producer of insulin and of a vaccine for polio, which pledged no redundancies and paid what they could throughout the 1930s.

Amongst the financial and investor community itself, the downsides of a purely short-term business profit and shareholder emphasis have become evident in the crisis. "I believe long-term thinking has never been more critical than it is today," BlackRock's chief executive Larry Fink⁴² said in a letter to shareholders right at the start of the crisis, "Companies and investors with a strong sense of purpose and a long-term approach will be better able to navigate this crisis and its aftermath.." Amra Balic⁴³, head of their investment stewardship team believes investors must hold companies to account for "how they prioritise in a time of crisis," including how they treat their employees and what they are doing for the businesses in their supply chains, their customers and their local communities. Investor as well as government requirements undoubtedly explain the moves to restrain executive pay and dividends in 2020.

Under this institutional pressure and with the great focus on ESG metrics, "the emphasis has shifted from total shareholder return to total stakeholder return" according to chief executive at Just Capital⁴⁴, Martin Whittaker, with Deloitte's latest CFO Insights survey showing investing in and retaining key talent as the economy starts to recover is one of finance chiefs key concerns. A finance director (never mind an HR leader) needs now to demonstrate that their company is not just investing in worker safety but also "improved wages and benefits and support for employees mental health and wellbeing, including those who may be experiencing financial hardship as a result of the pandemic."

⁴¹ Available at: <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace>

⁴² See note 33

⁴³ Ibid.

⁴⁴ Murray, S. (11.01.21) *The Financial Times*. Available at: <https://www.ft.com/content/98939b68-d246-40b2-be74-63e75683b3ec>

The failures of the wider social security net and welfare state and need to rebuild it after a decade of austerity also seems to be recognised across the political spectrum. According to Paul Johnson⁴⁵ of the IFS, “the world post-COVID-19 is likely to see many existing inequalities magnified...it should lead us to reassess the value of an effective welfare system and collective security.” The UK has become a low skill, low pay, low productivity economy. A recent *Financial Times* editorial⁴⁶ similarly commented on the need for a new social contract with business, as “the pandemic has exposed the limitations of unfettered markets”; and “the frailty of the social contract” which sees self-isolating keyworkers paid just £94.25 per week on SSP. It called for “radical reforms to forge a society that will work for all.”

The pandemic has shown that this flexible, “Just-in-time” economic and rewards model has failed when a “just-in-case” more secure approach has been needed, and I believe that permanent changes are now required.

So what does the “new normal” involve, what are the key features of this “society that will work for all” and a more collaborative, equitable and caring employer rewards model? How will the UK rewards and employment landscape be changing by 2022 if a majority of employers and the government decide to pursue this course of action?

Government actions

“It was for want of timely entering into measures and managements, public as well as private, that all the confusions that followed were brought upon us, and that such a prodigious number of people sank in that disaster, which, if proper steps had been taken, might, Providence concurring, have been avoided.” *A Journal of the Plague Year, 1722*

In the first comprehensive analysis of how public services responded to the pandemic, the House of Lords committee said years of underfunding left local services ill equipped to cope... and “fundamental weaknesses” must be tackled to make services resilient enough to withstand future crises. The government has promised a public inquiry into its response to the crisis... but it declined to give oral evidence to the Lords committee and its offer to give written evidence arrived too late, the report said. *British Medical Journal News*, 13th November, 2020⁴⁷

In an eerily prescient description and warning, which criticisms of our current government seem to repeat, Defoe emphasised the importance of swift and comprehensive action by the public authorities, both to stem their pandemic and to rebuild a better and more resilient society for citizens, such as his hard-working saddler-narrator, after it. Or as President Biden and Prime minister Johnson have both described it, using our collective experience, to “build back better.”

⁴⁵ Johnson, P. (28.04.20) ‘We may be in this together, but that doesn’t mean we are in this equally’. Available at: <https://www.ifs.org.uk/inequality/we-may-be-in-this-together-but-that-doesnt-mean-we-are-in-this-equally/>

⁴⁶ *The Financial Times* (3.04.20) Available at: <https://www.ft.com/content/7eff769a-74dd-11ea-95fe-fcd274e920ca>

⁴⁷ BMJ News (13.11.20) ‘Covid 19: UK government response was over-centralised and poorly communicated, say peers’. Available at: <https://www.bmj.com/content/371/bmj.m4445>

While UK employers today have considerable freedom within a relatively lightly regulated employment framework, they also have a responsibility for the welfare of their employees and wider society, a responsibility which for example, reports of a worryingly large number of Covid outbreaks in workplaces would suggest some of them are failing to deliver on⁴⁸.

“The combination of state and employer support that is required going forward was described, Defoe-style, by the 40 low-paid/low-protected workers that were consulted for IES’s research project on the immediate impact of the pandemic. To quote from findings contained in the interim report⁴⁹, when we asked them about what additional support they would value:”

“A wide variety of recommendations were put forward, including: better awareness of workers’ rights and legal protection in the context of COVID-19; greater assistance with job searches, retraining and childcare for those currently unemployed; and a range of financial support measures, from access to free financial advice services to further raising the Universal Credit standard allowance.”

Both government and employers are facing severe financial situations and many other pressures and priorities during and immediately after COVID-19. Perhaps my key point giving evidence to the Commons parliamentary committee in late 2020 however, was that a lot of what is required in an employment and rewards reform agenda to *#buildbackfairer* and to permanently embed the learning from the pandemic in better employment policy, already exists in the parliamentary domain. So pursuit by government through to implementation, rather than developing lots of new legislation, is the key dimension of what is required, and meaning that significant change at a Roosevelt-style pace is potentially possible, even through a pandemic-disrupted parliamentary schedule, by the end of 2021.

Even before the pandemic, the government had recognised the growing damage of its increasingly unproductive and insecure, uber-flexible and individualised, economic and employment “gig economy” model. It had adopted many of the recommendations from the employment review it commissioned by the RSA’s Mathew Taylor in its Good Work Plan⁵⁰ published in late 2018, following up with a comprehensive gender equality plan the following July, Gender Equality: A roadmap for change⁵¹.

⁴⁸ See for example Personnel Today (29.01.20) ‘More COVID-19 outbreaks in offices than any other workplace’ Available at: <https://www.personneltoday.com/hr/more-COVID-19-outbreaks-in-offices-than-any-other-workplace/>

⁴⁹ IES Findings (14.7.20) available at: <https://www.aberdeenstandard.com/docs?documentId=GB-280920-130007-1>

⁵⁰ Available at: <https://www.gov.uk/government/publications/good-work-plan>

⁵¹ Available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/821889/GEO_GEEE_Strategy_Gender_Equality_Roadmap_Rev_1__1_.pdf

Our common experiences over the past year, in highlighting the amazing contribution but appalling pay and conditions of many of our low-paid but no-longer low skilled keyworkers, might you would think reinforce not just implementing but also a significant strengthening of these “Good Work” and equality agendas. The House of Commons’ Women and Equalities Committee, in another report published in January 2020, also highlighted the terrible state of the enforcement of equal pay legislation by the resource-constrained EHRC; and the growing delay in tribunal hearings occasioned by the pandemic (with two year waits now far from unusual) will be making this even worse.

The former plan involves amongst its over 50 proposals adopted from Mathew Taylor’s 2017 report:

- Strengthened labour market enforcement from a new, more powerful single agency (I have detailed the most important changes required here in a report⁵² for the Chartered Institute of Personnel Development. This includes modelling international examples of better funded and more powerful and effective, single agencies, for example in France and Ireland.)
- A right to flexible work rather than the existing right to request it, again heavily reinforced by the extensive moves to homeworking during the pandemic and the need to protect workers as strongly there as in the office;
- Rights to request stable working hours after a minimum period in employment on a zero hours contract
- Better regulation and shared employer responsibility for abuse in supply chains – following the revelations last summer regarding Boohoo⁵³ (described by the New York Times as “the newest face of worker exploitation”). The British Retail Consortium estimated that up to 10,000 female garment workers in Leicester are continuing to be paid well below the legal NLW minimum, robbing them of some £27 million, and proposed a “fit to trade” licensing scheme of the type already used for car-washing;
- Increased company reporting disclosure – the government has already carried out a consultation on a requirement for companies to publish their parental support policies, as well as two years ago consulting on the extension of gender pay reporting to cover ethnicity.
- Clarifying the employment status situation between the three existing categories employee/worker/self-employed and aligning them with the taxation classifications. Here again, my recently authored proposals for the CIPD⁵⁴ to update and strengthen employment rights, including such as the removal of the confusing “worker” status. This should help to avoid situations such as the recent much-disputed Uber case⁵⁵ regarding supposedly self-employed staff, where the judges at least have been deciding that Uber is indeed these workers’ employer; and one that has too much flexibility and not enough collective responsibility.

⁵² Available at: https://www.cipd.co.uk/Images/revamping-labour-market-enforcement_tcm18-84946.pdf

⁵³ Available at: <https://www.nytimes.com/2020/07/08/fashion/boohoo-labor-influencer-crisis.html>

⁵⁴ Available at: <https://www.cipd.co.uk/knowledge/fundamentals/emp-law/employees/employment-status-rights>

⁵⁵ See for example: <https://www.bbc.co.uk/news/business-5623668>

All of this is both desirable and possible to enact in 2021, mostly through the government's much-delayed employment bill. Mathew Taylor⁵⁶ now believes that "the crisis has led us to recognise the importance of jobs that might previously have been seen as low status"; and so the government's forthcoming employment bill should "be bold" in areas such as employment status and enhancing protections for casual workers. The Good Work Plan now needs to be a foundation for far more extensive improvements. We still await the much delayed Employment Bill, hardly highlighting great urgency or much learning evident in Whitehall from abuses highlighted for example, in the Boohoo supply chain.

The pandemic has also highlighted the advantages of heavily devolved and flatter organisations structures with extensive employee autonomy and involvement at all levels. This shows that one-way contractual flexibility⁵⁷ needs to be replaced by genuinely two-way contractual negotiation, meaningful worker representation and far more extensive employee participation and ownership.

Gig economy and those Leicester clothing workers need improved security and benefits, funded by closer alignment of rates of taxation for the self-employed and agency workers with employed staff. Banning umbrella companies would be a stronger move rather than just the current proposal for better regulating them, while the proposed single labour market enforcement agency, as well as the HSE and EHRC, need much greater power and funding.

Other employment legislation which the pandemic has highlighted the need for includes:

- The Pregnancy and Maternity (Redundancy protection) Bill, put forward as a private members bill in 2020 by the Equality Committee's former chair by Ms Maria Miller MP⁵⁸, vital for the government to support and enact as redundancy levels escalate;
- Improved childcare and family support; a number of research studies highlight financial and cultural⁵⁹ reasons for the low take up of shared parental leave by fathers, with the effect of the pandemic described by some as a return to the 1950's female employment model, further emphasising the need to introduce shared parental pay, as in Germany, and possibly additional requirements, such as the Swedish "use it or lose it" approach, in order to encourage a greater sharing of parental duties;
- Banning the discussion of current pay levels in recruitment interviews, which is now operating in many US states such as California and appears already to be operating very effectively there to stop the importation of gender pay gaps from the external market;
- Better pay and conditions for government and private sector keyworkers, for example in the care sector⁶⁰ as well as reinstating pay progression, rather than freezing pay in the public sector (skills/competency based)

⁵⁶ See: <https://www.peoplemanagement.co.uk/long-reads/articles/has-coronavirus-brought-new-normal>

⁵⁷ See: <https://www.cipd.co.uk/news-views/cipd-voice/issue-21/workers-choice-flexibility>

⁵⁸ See Hansard: <https://hansard.parliament.uk/commons/2020-10-05/debates/C34D435A-FA13-450E-B3FB-8B03C63287CB/COVID-19MaternityAndParentalLeave>

⁵⁹ For example: <https://www.employment-studies.co.uk/resource/rapid-evidence-assessment-parents-decisions-about-returning-work-and-child-caring>

⁶⁰ I detail the pay and contractual reforms required in the care sector at: <https://www.incomesdataresearch.co.uk/resources/viewpoint/applause-is-not-enough-but-just-how-do-we-properly-reward-our-care-workers>

Employer actions

“How can we create a more equitable, collective, compassionate approach to reward and people management more generally after this Crisis and avoid just a ‘knee jerk’ return to the status quo?”

That comment, from a colleague at the first “meeting” of our self-styled “fair rewards” group of fellow HR and reward researchers, advisers and leaders that I hastily assembled and met with through a series of zoom sessions after we were locked down at home last April, summed up how we all felt about the need for change in prevailing UK reward models. But we also recognised the immediate pressures that all employers and their HR and reward teams were under to adapt to the new situation, with so many HR professionals responding so brilliantly and swiftly to the immediate challenges of supporting their employees working at home. These demanding demands made simply looking further ahead, never mind planning and implementing required changes, a huge challenge.

But many employers need to consider and hopefully in 2021 will make permanent changes to their prevailing pre-Covid, follow-the-market pay and reward orthodoxy, beyond the welcome job and pay guarantees and the immediate, voluntary executive pay cuts we have seen from some of the most forward-looking of them over recent months.

My reward group developed as a free resource therefore our Reward After the Pandemic charter⁶¹ designed to help HR and reward professionals to review and renew their employers’ reward strategies. It defines the key questions employers need to address and to be answering in order to build back better and fairer after recognising the lessons of the pandemic, and particularly to avoid a repeat of the post-2008, short-term and often -sighted anorexia we witnessed in too many cases on employee pay and conditions.

With the “We’re all in this together” government lockdown poster on its cover, the Charter encourages employers to identify the underpinning principles and values for reward practices and provides key questions to ask – and related suggested actions employers might take – to progress. The strategic goals of being business and market-aligned and individually flexible have overwhelmingly driven the reward policies of the majority of UK employers in all sectors for more than two decades now.

We suggest that now, belatedly it is time to re-assert three other important reward principles and goals that research suggests are critical to the effectiveness of reward policies:

- being fair and consistent in how all employees are treated, with an appropriate distribution of rewards and maximum levels of reward transparency;
- reinforcing the collective identity, performance and contribution of the whole organisation and the teams and individuals it comprises of;
- providing an appropriate degree of workforce security, health and wellbeing so as to reward with compassion.

⁶¹ Available to download at: <https://www.linkedin.com/pulse/rewards-after-pandemic-charter-reviewing-your-reward-strategy-brown/>

Key questions which are even more important for employers to ask today, most of a year into this pandemic, include:

- How fair are our current reward policies; how do we better deliver fairness in the future?
- How well do we reward and recognise the contribution of staff at all levels and in all roles?
- How well do we support the security, health and wellbeing of our workforce?
- How well do our rewards reinforce the goals and values of the organisation?
- How competitive are our pay policies, how well do they support recruitment and retention?
- How well do we motivate and engage all of our different and diverse employees?

While any good strategy needs to be tailored to the needs of each employer and their environment, what actions are commonly implied by such a shift in reward thinking? And just how do more employers shift towards “a more equitable, collective, compassionate approach to reward and people management” that my group believe is required post-pandemic?

I would suggest attention to five key areas where I hope to see a significant spotlight focused, and hopefully many more examples and signs of the required shift in practice, by the end of 2021.

1. **A return to 'fair' pay and reward policies**, with a reassertion of the importance of job evaluation and a common pay structure for all employees, including executives, rather than simply blindly following 'the market' in determining pay levels. It is a very inexact, imperfect, multiple, manipulable, complex and often discriminatory pay market at best. But traditional job evaluation systems also need a rethink and perhaps reset.

The prevailing UK executive remuneration model has also been failing on many counts now for some years, despite the regular attempts by government to address the problems through increased transparency, such as the new pay ratio reporting requirements. I very much support the more fundamental shift advocated by the Purposeful Company⁶², who recommend the removal of current LTIP designs and simpler, less leveraged, more stakeholder and ESG aligned executive pay arrangements. I hope to see many other companies following the examples of Weir Group, BT and Burberry in making such reforms during 2021.

Peter Reilly and I have co-authored a chapter in a new book edited by Norwegian professor Anders Ortenblad, *Debating Equal Pay for All*⁶³, in which we describe and illustrate the benefits of a “middle way” incorporating flatter and more balanced, less differentiated pay and benefits structures. This will hopefully be the way forward for especially private sector pay reforms in 2021. Through their research⁶⁴ into the new pay ratio reporting requirements, the High Pay Centre calculate that reducing the pay of the highest quartile of employees by just 3 per cent could fund a median pay rise of £2,000 for the lowest earning quartile of employees in the companies they have reviewed, an interesting finding for both employers and political parties to reflect on.

⁶² Research available at: <https://thepurposefulcompany.org/>

⁶³ Chapters available at: <https://www.palgrave.com/gp/book/9783030535742>

⁶⁴ Available at: <https://highpaycentre.org/re-thinking-reward-interim-high-pay-centre-analysis-of-new-pay-ratio-reports/>

2. **Rediscovering the value of investing in pay, skills and pay progression.** “Spend more on pay!” hardly seems a great career-enhancing recommendation for HR leaders to be making to their boards in the current climate. Yet research has shown for many years that paying people a decent wage, providing career and pay progression opportunities for all; and recognising their growth in skills and added value in their pay, produces at least a good a return on that investment for the employer as it does for the employee. And with digitalisation and technological advance having been speeded up significantly by the pandemic, this required investment in reskilling significant portions of the workforce to adapt has significant returns both for governments and employers. IES’s Progression in Employment project⁶⁵ funded by the JP Morgan Foundation highlights and illustrates the range of actions that “good work” employers such as Scandic Hotels and Corbin and King’s restaurants are taking to support progression of low-skilled workers, ranging from regular career conversations to multi-skill-training and skills-based pay progression.
3. **More collective bonus plans, profit sharing and sharing in success.** The CIPD’s reward management survey⁶⁶ finds that individual performance is over-whelming the most common form of variable pay under pre-existing reward approaches, used by 62 per cent of those with bonuses. While their incidence may be lower, collective bonus plans are steadily increasing in incidence in the UK and Europe, have a much stronger record in research, and should hopefully be encouraged by the financial pressures and collective efforts highlighted by the pandemic. Greater use of collective pay schemes such as profit and gainsharing coincides with better site and organisation performance (Eurofound, 2015)⁶⁷. For example, Benson and Sajjadiani (2017)⁶⁸ reported that manufacturing plants that use with gainsharing plans experience greater productivity, higher quality and other performance improvements. UK employers need to drop their obsession with executive and individual incentives and let all employees share financially in the benefits of their success.
- And research studies, for example by Bryson and Freeman (2015)⁶⁹, also highlight the common, positive benefits of higher employee engagement and organisation performance associated with profit sharing plans, which surely are a fairer way of recognising the amazing efforts of health and keyworkers in our organisations than simply clapping them as we did in the first lockdown last summer. Similar results have been shown for all-employee share plans.

⁶⁵ Available to download the toolkit at: <https://www.employment-studies.co.uk/resource/progression-employment-employer-toolkit-case-study-collection>

⁶⁶ Available at: https://www.cipd.co.uk/Images/reward-management-report-2019-2_tcm18-68009.pdf

⁶⁷ Available at: <https://www.eurofound.europa.eu/publications/report/2015/working-conditions-industrial-relations/third-european-company-survey-overview-report-workplace-practices-patterns-performance-and-well>

⁶⁸ Available at: <https://journals.sagepub.com/doi/full/10.1177/0019793917726066>

⁶⁹ Available at: <https://hbr.org/2016/12/profit-sharing-boosts-employee-productivity-and-satisfaction>

4. **Benefits changes: More hybrid and shared-risk pension and benefits plans.** Employer pension and benefit plans were originally introduced in this country by the government for their own employees and by Quaker-business-owners such as Robert Owen and Edward Cadbury, in order to provide security to their workforce as a crucial underpin to their commitment and performance.

The pandemic has highlighted how we often seem to have lost sight of this basic requirement in benefits provision, with changes over the past two decades generally justified on the basis of providing more individual choice, but often at least as much driven by a cost agenda.

There are many changes to benefits practice now required and starting to be evident in reaction to the pandemic, in areas ranging from sickness insurance to wellbeing. I will just highlight two important ones here: pensions and mental health

February's pensions act⁷⁰ included the legalisation and encouragement of Collective Defined Contribution schemes. Based on the Dutch model of employer pension provision, CDC schemes⁷¹ better balance and share the risks, costs and benefits of pensions between employers and employees.

The Post Office has been developing and is ready to introduce the first UK scheme, developed in conjunction with its trade unions, and I hope to see many more employers following their example in 2021 and beyond.

5. **Benefits changes: Greater attention to employee's mental health and financial wellbeing, moving beyond the traditional EAP.** Fortunately many HR and reward professionals had already woken up to the damaging impact of the growing levels of stress, mental ill health and often-related financial indebtedness in the workplace, which the virus's impact has only intensified with higher levels of homeworking for white-collar jobs and physical health risks for keyworkers. Up to 20 per cent of adults in the UK are expected to need mental health support in the coming year, according to the Centre for Mental Health; 8.5 million people are dealing with depression, anxiety and PTSD.

A survey by Aetna⁷² at the end of 2020 found that while 70 per cent of organisations worldwide believed they were providing "good access to programmes to support health and wellbeing", only 23 per cent of their employees agreed. Even through the COVID-19 situation and more explicit and universal need for support, EAPs continue in some cases to be an example of a "hidden" benefit, seen as a last resort, the "crisis line". But we have also seen major reforms and new and better utilised services provided through instant access channels via smartphones, video and text. These range from online GPs, counselling and therapy, to the now widespread use of apps for mindfulness, sleep, cognitive behaviour therapy, time planning, financial planning and to help people stop smoking, for example. This is likely to be accompanied by more EAPs becoming involved in allowing employees to monitor their own mood, stress and cognition – providing the kinds of data on employee mental health and performance that can inform their reward strategy and investment into wellbeing programmes.

⁷⁰ Available at: <https://bills.parliament.uk/bills/2526>

⁷¹ Good description of these schemes and how they might work in the UK, at: <https://www.pensionspolicyinstitute.org.uk/research/research-reports/2018/2018-11-29-what-is-cdc-and-how-might-it-work-in-the-uk/>

⁷² Referenced by Paul Roberts, EAPA, at: <https://reba.global/content/the-eap-is-no-longer-a-standard-benefit-it-is-a-pillar-of-organisational-resilience>

Conclusions

“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 try to create a more just and caring society?...Collective suffering can move us from ‘I’ to ‘We’; we’ve been through too much suffering together to go back to where we were”. Rabbi Lord Sachs in his last appearance on The Today programme’s *Thought for the Day*, May 2020⁷³.

“The Age of ‘I’ has finally peaked...the tide of ‘we’ is coming in”. Will Hutton, “*The only way to vanquish the pandemic is for the age of national self-interest to end*”. The Observer, 10th January 2021⁷⁴.

“Tough”. That’s how a client summarised his past year in one word, personally and professionally, financially and emotionally, as a result of COVID-19. Economically, the toughest times since the Great Frost of 1708; health-wise probably the worst since Defoe’s-documented great plague 14 years later.

I would not question nor underestimate the continuing difficulties of doing anything beyond reacting to the immediate needs of this current horrendous situation occasioned by COVID-19; nor the need to ensure the affordability of any reward improvements and changes in an organisation. Intervention by the state has been essential to the survival of many employers and individuals; and further huge government investments and actions will be needed before we can in any sense think about returning to something approaching our ‘normal’ lives.

But that is one of the major learning points of the pandemic – these are **investments**. The research record⁷⁵ on human capital investments is unequivocally positive that they pay off: for the individual, the employer and society. The pandemic and its spotlight on employer ‘saints’ and ‘sinners’ has reinforced our faith in this. Purely focusing on short-term cost concerns, by governments and employers, is liable simply to induce another decade of austerity, falling living standards and millions of low paid, low productivity workers and contractors ‘one pay cheque away from poverty’⁷⁶.

The scale of this crisis, the “huge shock” it has engendered, has also thrown us out of our exiting routines, with an amazing response from many HR functions to support the performance and wellbeing of their employees in new situations and way. It has also raised fundamental questions about what we value and reward, as individuals, parents and employers, on relative pay levels and security in society and shifted our attitudes to keyworkers. As Veronica Hope-Hailey puts it in a CIPD report on lessons for responsible leaders from the pandemic⁷⁷, “an awful lot of what we have taken for granted has become ‘unfrozen’... this is an opportunity”.

Stanford historian Walter Schneidel in his book *The Great Leveler*; and feminist author of the book *Paradise built in Hell* Rebecca Solnit, from their very different occupation and political perspectives, have both considered the history of great crises and disasters, including great plagues, depressions, wars and disasters. And perhaps surprisingly they both came to the same conclusion: that the Winston Churchills and FDRs and New Deals and welfare state creation are not actually so unusual. Such horrendous situations and challenges have more often than not provoked major and successful collective efforts to rebuild and improve society. Schneidel concludes it is actually the period after the pandemic, not during it, that income-equality-wise is the great leveller; while Solnit observed⁷⁸ in the midst of this pandemic that:

⁷³ Available to download at: <https://rabbisacks.org/weve-been-through-too-much-simply-to-go-back-to-where-we-were-thought-for-the-day/>

⁷⁴ Available at: <https://www.theguardian.com/commentisfree/2021/jan/10/the-age-of-national-self-interest-must-end-if-we-are-to-vanquish-the-pandemic>

⁷⁵ See for example Tamkin, P. (2004) at: <https://www.employment-studies.co.uk/system/files/resources/files/mp36.pdf>

⁷⁶ Shadow Chancellor Anneliese Dodds, quoted at: <https://www.ft.com/content/cc295795-62cc-4062-9faa-02dfaf215a8d>

"In the midst of fear and isolation, we are learning that profound, positive change is possible. Ordinary life before the pandemic was already an environmental catastrophe, an obscenity of inequality. It is too soon to know what will emerge from this emergency, but not too soon to start looking for chances to help decide it. It is, I believe, what many of us are preparing to do".

I believe that a stronger emphasis on fair, collective and compassionate reward policies and practices in our pay and rewards policies in future would be a justified and highly beneficial outcome from the horror of COVID-19.

Yes, government needs to act to address the gaping holes exposed by the pandemic in the UK's supposed safety-net of welfare provisions and health and safety and employment protections. As Nita Clarke, Director of the Involvement and Participation Association (IPA) writes:

"In this light it is all the more disappointing to see that the government has scrapped their industrial strategy and seems to be pressing forward without a clear plan for how a just transition can be achieved. IPA are embarking on new research looking at the prospects of a 'just transition' for the UK workforce and the role the workforce needs to play".

But we all have agency here too, we have choices. We all will need to have the courage to act – to advocate, to invest, to make that happen, if we are not to let the tough learning from this crisis go to waste.

I very much want to see the opportunity taken for a "new new normal" to emerge; and we need to address and advise on these bigger questions as an HR community.

Dr Duncan Brown
May 2021

⁷⁸ 'The Impossible has already happened'. Available at: <https://www.theguardian.com/world/2020/apr/07/what-coronavirus-can-teach-us-about-hope-rebecca-solnit>

