



## The longer-term impact of COVID-19 on Reward

What should employers be thinking about now?

15 July 2021 | 4 min read

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### What has already changed?

The way we work has changed in a way that would have been almost unthinkable two years ago. The Group HRD of a multi-national said to me a month into the first lock down:

‘We were told our call centres working remotely was impossible, it had happened within weeks’

Hybrid working is now the buzzword, with employers thinking about how much expensive office space they need and how flexible they will be in allowing employees to work from home, the office or indeed from other countries. COVID-19 has also accelerated business transformation, specifically digital transformation, which already had a rapid growth path.

This is likely to mean some key changes to the way we work: some jobs will rapidly disappear to be replaced by Artificial Intelligence, Robotic Process Automation or Robotics. Other new jobs will appear and the demand for digital talent, which was already very high, will increase further.

### What does all this mean for Reward?

#### Pay

- A **reversal of depressed pay** in general as the economy picks up and we already see a buoyant job market. As pay is the number one attraction and retention driver, employers are going to have to invest more than they normally do, think creatively – or risk losing a lot of talent. They may also consider segmenting key talent groups (see segmentation below);
- **Real spikes in pay for hot skills** in the market and a focus on paying for skills, particularly for digital jobs. Employers will need to formulate a strategy around pay for digital talent to ensure they can compete, but **don't** end up with a huge legacy wage bill for out-of-date skills. Note that not all digital roles attract a premium e.g. digital marketing is business as usual now;
- Continued **depression of pay in certain sectors** e.g. the public sector, airlines, etc.; and
- Companies that allow employees to **work from anywhere** will need to **re-assess how much they pay** for specific jobs.

#### Incentives

The 2021 CIP Reward Management Survey shows around 48 percent of companies think changes to short-term incentives will be temporary, while a significant minority (22 percent) think they will be permanent.

Interestingly, a larger percentage think changes to non-cash recognition will be permanent than don't.

This aligns to what I see in the market.

- **Short-term incentives** while questioned, largely because companies call them performance-related but don't really differentiate, are **here to stay**; and

- **In-year recognition is growing** in importance and over time could really challenge annual incentives as the best way of rewarding top performance.

### *Sales Incentives*

A recent pulse study we ran showed that 63 percent of companies have changed their sales go-to-market approach but only 44 percent have changed their sales incentive plans.

Market and business transformation mean that sales strategy, G-T-M approach, and sales roles will need to change too to be successful.

Companies should **review sales incentives** to ensure that they stay relevant, motivate the sales force and drive the business objectives.

### **Segmentation of digital talent**

Employers have been thinking about the need to segment groups of key talent for some time. The ever increasing demand for digital talent will drive this trend further with employers looking to differentiate themselves, and not only with pay.

The sorts of things that we are likely to see are:

- Skills-based pay;
- Focus on skills development and re-skilling;
- Different T&C's, dress code, location; and
- More frequent promotion/pay cycles to keep pace with change and reflect an agile workforce.

### **Flexibility in Total Rewards**

We have seen huge changes in flexibility around the way people work and employees like it. A recent YouGov poll showed that employees now value flexibility over pay.

Flexibility is a key engagement driver and means being able to attract and retain a more diverse workforce.

I expect to see greater flexibility that we have seen in the way we workflow down into reward, with employers thinking about more innovative ways of rewarding and engaging employees, for instance:

- **Greater flexibility** in dress code, hours work, holiday, shift patterns etc;
- Allowing **more flexibility in how reward is applied** e.g. the use of a company pension match for something more relevant to an employee's life stage;
- **Skills-based reward** as skills become more important and jobless important; and
- **Extension of LTIP** to more employees in the organisation

In summary, we are seeing huge changes to the economy, business transformation and the way we work.

The reward needs to keep pace with these changes and we are likely to see more innovation and change in the next couple of years than we have seen in the previous ten. It's an exciting time to be a reward professional.

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