

# The impact of the pandemic on benefits strategy

Fall 2020



## I<sup>2</sup> Inspiring Insights



### Introduction

The year 2020 is marked by change and uncertainty. The events of the year have caused us to question long held assumptions and change long-standing patterns of behaviour.

We experienced a massive pandemic; emotionally charged and heightened awareness of racism; anxiety related to political polarization of a major world power, the United States; and the most significant economic downturn in our lifetime, all at the same time. For every change there are collateral consequences. The extent of disruptive change in 2020 has and will continue to create many consequences.

Morneau Shepell brought together a group of Chief Human Resource Officers from various industries, for our *Inspiring Insights* Think Tank, to discuss the potential implications of the 2020 disruptions. The discussion was in two parts: first emerging trends and issues of significance to business, and then the implications for an organization's people and benefits strategy.

### 2020 Changes and significant trends

In many ways, the events of 2020 accelerated trends that were already in play. Other changes are being sparked as we see our strengths and vulnerabilities more clearly in people, in organizations, and in our governments. How can we identify changes which will stay or continue to accelerate versus those where the pendulum will swing back? Considering past trends and disruptions, those that have been transformative elicited the support of a majority and caused people to question why the old way ever existed. They also created meaningful value

#### Four trends

- The de-structured workforce
- The rise of "S" in ESG
- Increased scrutiny and new standards
- Anxiety as a "norm"

#### Key implications:

- A focus on the most vulnerable
- Sustainability and entitlement
- The total employment experience
- Financial wellbeing

or unearthed a significant but previously unrecognized opportunity or need. Temporary change on the other hand, may be powerful for a time, but has no real significance, value, or value only for a few. We believe that several trends from 2020 will be sustained. We focused on four in the discussion.

## Four key trends

### 1. The de-structured workforce

The de-structured workforce is not only defined by variances in where we work, it also reflects changes in how we work, and potentially what we get paid, who we hire and our relationship with work. Public announcements from organizations such as Facebook and offers of extended visas from countries promoting resort/work packages, have made the de-structuring of the workforce a mainstream issue. Many questions remain, however, such as issues of compensation and benefits if employees work in locations where an organization does not have an office. There are also questions about whether this trend will ultimately accelerate the gig economy. Despite the questions, it seems inevitable that we will not return to the same “brick and mortar” definition of a workplace. While some experience de-structuring as flexibility, others experience one or more aspects of it as chaos. Many employees indicate that they prefer working from home or splitting their time between home and the workplace. However, Morneau Shepell’s Mental Health Index suggests that the practical attraction of time and convenience may not off-set the impact of this change on mental health and wellbeing. Isolation has been a rising concern in society and the pandemic has made this worse for several reasons.

*Will de-structured work accelerate the damaging trend of isolation?*

*If everyone has a unique working experience will it be harder to have a distinct organizational culture?*

*Without a distinct culture, will employees feel less connected to their organization?*

*Unexpected consequences happen with almost every change.*

*Are we prepared to manage the consequences of the de-structured workforce?*

<sup>1</sup> The Mental Health Index, June 2020

### 2. The rise of “S” in ESG

The rise of “S” in ESG has been accelerated by the COVID-19 pandemic. Investors are now more attuned to an organization’s relationship with its workforce than ever before. The “S” or Social factors in Environment, Social and Governance (ESG) are helping investors assess the resilience of organizations, which is a major factor in the value of any organization. We know that employees who work for organizations that supported mental and physical health well during the pandemic, have much better mental health and work productivity scores than those whose organizations have been either inconsistent or neglectful of employee mental and physical health during the crisis<sup>1</sup>. In many ways, organizations are seeming to fall into one of two categories: those whose response to the pandemic was “humanizing,” and those whose response was “dehumanizing.” Longer term, this will likely be the point of separation for another aspect of the “K” shaped recovery, where employee health, engagement and productivity and the resulting business value improves for those organizations who support employee mental and physical health, while those who do not increasingly struggle with their workforce and the perception of investors.

ESG reporting has created an advantage for many organizations in guiding action and gaining recognition.

[See Morneau Shepell’s reporting on the wellbeing of employees.](#)

*Can public reporting on employee mental health and wellbeing do the same?*

### 3. Increased scrutiny and new standards

Increased scrutiny and new standards have emerged. Both the pandemic and the rise of the social justice movement have put organizations under a powerful microscope. Beyond the investor attention to ESG, there is great scrutiny from the public, consumers, business-to-business clients, and employees. The issues of 2020 are highly emotional and consequential. We are now more acutely aware of collective responsibility for health, economy and society. Being “in it together” means that we are holding each other accountable, and in particular holding the most powerful entities

accountable. We have seen businesses change long-standing products and business practices to address racial insensitivity. We have also seen organizations publicly praised or vilified based on their approach to employee wellbeing. Further, we are seeing a trend toward new standards of practice. Bill C-97 sets out a new disclosure obligation under the Canada Business Corporations Act (CBCA) requiring annual reporting to shareholders, on the wellbeing of employees, retirees and pensioners. The International Standards Organization is issuing ISO-45003, which sets an international standard for managing psychosocial risks in the workplace.

*The need for reputation management is significant.*

*How can we use the new guides and expectations to both create value and support a positive view of the organizations we support?*

#### 4. Anxiety as the “norm”

Anxiety as the “norm” has many implications. The pandemic and economic uncertainty have taken their toll on the mental health of the workforce. Governments have seen the risk and implications, and some have invested in additional mental health supports including hospital programs and digital therapy such as [myicbt.com](https://myicbt.com). The follow-on consequences of massive change and disruption will impact our health and outlook for some time. Prior pandemics have compromised mental health well beyond the period of infection risk. The long-term impact of heightened stress and anxiety increases the risk of both physical and mental health decline. We have also seen an increase in unhealthy coping strategies such as alcohol use. With this there are implications for workplace cost and productivity in addition to individual quality of life.

*Will the value proposition of a particular organization shift as the population needs and seeks more support and stability to balance anxiety?*

*How will organizations address this?*

## The implications for benefits strategy

Our *Inspiring Insights* Think Tank participants discussed their current experiences and important considerations for the future given the issues and trends of 2020. The primary themes are noted below:

### A focus on the most vulnerable employees

Financial vulnerability, and the health-related vulnerability of individuals have become more apparent during this crisis. Programs that offer hardship/emergency funds, or benefit sharing, where employees can share unused benefits with others, have started to gain more prominence.

The implication is a greater focus on need and equity versus consistency. The opportunity is meaningful support for those in need. The challenge is appropriate and sustainable administration of such programs.

### Concerns about sustainability of investments in employee health

The pandemic has prompted an increase in the support and benefits that some organizations provide to employees. In many cases this was made possible by decreases in costs in other areas because of the pandemic. Going forward there is concern about the sustainability of these investments when other costs resume. There is also significant fear of employee entitlement, particularly for large organizations and among younger employees. Trade-offs will be required, but trade-offs at the organizational level might be difficult and have negative consequences. Joint employee-employer accountability for health and the sustainability benefits will be required.

The likely implication is more personalized benefits. Essentially this takes the concept of flex and voluntary benefits to the next level, with employees being able to choose their supports at a very granular level. This would include supports that are not traditionally considered benefits. The opportunity is a higher perception of the value of “benefits” through tangible recognition of unique personal needs. The challenge is

ensuring that employees still have both proactive and safety net support for foundational health issues.

### **De-emphasis on “benefits” in favour of Total Rewards or Total Employment Experience**

The pandemic has forced a more holistic and integrated view of needs and supports. With this change, benefits may increasingly be recognized as a driver of the employee experience and as a component of workplace culture, rather than an entitlement. Organizations that keep these concepts separate may in fact unduly narrow the evolving definition of Benefits, placing themselves and their people at a disadvantage.

The implication is a continuation of the holistic view of benefits, programs and experiences that started during the pandemic. The opportunity is that organizations can create unique value propositions that connect to the needs and values of employees. The risk is the need to keep abreast of emerging and evolving needs and values, particularly in the immediate pandemic/post-pandemic period when things are still in flux.

### **A focus on financial wellbeing**

Financial wellbeing is a sense of security and satisfaction related to one’s finances. It is driven by the knowledge, actions and perceptions that people have regarding their financial situation. Financial wellbeing is also a key driver of mental wellbeing and work productivity. The pandemic has exposed, as well as exacerbated vulnerabilities in this area. This has raised the bar on financial wellbeing programs and supports. Great resources may be in place, but they often do not engage employees in a way that leads to meaningful change. This will no longer be acceptable.

The implication is an increased significance of financial wellbeing programs. The opportunity is to embed total financial wellbeing programs, which go over and above savings programs, into the concept of benefits. The challenge is to build total financial wellbeing into the employee experience in a way that improves knowledge, action and perception as a matter of course rather than as a distinct initiative.

## **Comments**

We are still in a state of uncertainty for many things, but what is certain is the importance and impact that organizations have in the health and lives of their employees. Also important is the increased attention by many stakeholders, to an organization’s relationship with its employees. This is especially true given the risks that have become apparent with the events of 2020. Given all of this, new decisions will be made, resilient strategies will be set, and the role of strategic human resources will be more critical than ever.

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