

COVID-19: Global Strategies for Managing Cost & Engaging Employees

April 2020

With the rapidly evolving pandemic situation, global employers are trying to balance two key priorities – supporting their workforce and managing expenses and cash flow. In a recent webcast with over 200 participants, more than 80% cited the need to support their workforce in the new working environment as one of their top three priorities. The next highest priority was reducing or managing expenses and cash flow. Below we have summarized various options to help you achieve these business goals.

Driving Financial Savings

POTENTIAL SAVINGS	TIME HORIZON	DESCRIPTION
 HIGH	 SHORT TERM (<12 months)	<ul style="list-style-type: none"> • Introduce short-term benefit reductions: possible in some countries to temporarily reduce costs. In terms of short-term cash flow, this would require looking at retirement contributions for employees. Other reductions, including cost sharing, are likely to lead to savings in year 2. • Review deficit reduction contributions: more regulators are reviewing the ability for companies to defer deficit reduction contributions (this can help with immediate cash flow issues). • Furlough employees to immediately reduce costs: in addition to the provisions of avoiding staff costs, some countries are providing subsidies both to salaries and potentially pension contributions to support employees whose employers need to reduce costs.
	 MEDIUM TERM (1 – 3 years)	<ul style="list-style-type: none"> • Review broker services and commissions by conducting an independent assessment of your third-party local brokers, to ensure negotiation of the most competitive commission/fee levels so that they are commensurate with the services provided. This could involve reduction in current levels, with no change in provider, or competitive tenders to drive lower costs. These opportunities also apply where you have a global broker in place. • Pool risks or move to global underwriting to leverage global economies of scale and to obtain a discount to all policies through global underwriting of risk with global insurance carriers. This can be accompanied with a significant reduction in commission levels. • Remarket longstanding insured policies including life insurance, disability, medical and travel to drive down premium levels and negotiate features, such as enhanced services or free cover limits, that might be added at no additional cost.

POTENTIAL SAVINGS	TIME HORIZON	DESCRIPTION
 MEDIUM	 SHORT TERM	<ul style="list-style-type: none"> • Remove duplication in benefits between local / global programs and multiple vendors to save costs in coverages such as business travel, accident and well-being programs. Co-ordination with risk departments can help identify and ensure elimination of duplications.
	 MEDIUM TERM	<ul style="list-style-type: none"> • Review benefits optimization to better tailor international benefits programs to employee needs while reducing costs/coverage to meet corporate targets. • Conduct participant and dependent audits to ensure only the appropriate membership is covered for benefits, this applies to pension payments and medical benefits.
 LOW	 SHORT TERM	<ul style="list-style-type: none"> • Explore healthcare profit sharing due to significant reductions in the level of treatments provided to employees as resources are redirected to support treatment of the Coronavirus. This reduction in treatment is likely to lead to a profit to the healthcare insurer which could be repatriated through a profit share. • Review or temporarily suspend non-essential or low utilization programs which in the current climate may provide short term opportunities to reduce benefit spend. This could include transportation and fitness benefits, which will likely have been put into deferral as a result of the virus.

Employee Engagement (Ongoing Actions)

EMPLOYEE IMPACT	IMPLEMENTATION EASE	DESCRIPTION
 HIGH, FAVORABLE	 SIMPLE	<ul style="list-style-type: none"> • Promote global EAP resources to provide support to employees around debt, mental resilience and broader well-being. We are seeing an acceleration in employee needs and utilization of existing resources can support employees during and after the current pandemic.
	 MEDIUM	<ul style="list-style-type: none"> • Offer preventive measures such as vaccinations for flu, late in 2020 to reduce the potential cross diagnosis with COVID-19 which is likely to still be prevalent. This is likely to be beneficial to employees and reduce absenteeism. • Extend help to employees whose mental welfare may have suffered during extended periods of isolation, increased debt and for furloughed employees who would likely suffer from increased anxiety.

As the spread of the virus develops employers should begin to plan for operational return. This will include, for example, consideration around the treatment of benefits for furloughed employees, the graduated or immediate return of workforce and pension funding policies are some examples of areas worth investing time to ensure clarity and reduce interruption to your organization further down the line.

For More Information

To discuss any of the above solutions, or support for your global benefits or mobility programs, please contact your Fidelity Managing Director or one of our global benefits consultants listed below.

Iain Jones

+1 617-563-3345 • iain.jones@fmr.com
Irvine, California

Mark Sullivan

+44 (0)207 184 3557 • mark.sullivan@fmr.com
London, United Kingdom



This material is issued by FMR Investment Management (UK) Limited ("FMRUK"). FMRUK is authorized and regulated by the Financial Conduct Authority in the UK FCA registered no. 476031. FMRUK is incorporated and registered in England and Wales under company number 5942395 with a registered address of 1 St Martins Le Grand, London EC1A 4AS
Information provided herein is not a recommendation or an offer or solicitation to buy or sell any security or for any investment advisory service.