IMPACT OF COVID-19 ON HUMAN CAPITAL DECISIONS AMONG NONPROFITS

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With You Today

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IMPACT OF COVID-19 ON HUMAN CAPITAL DECISIONS AMONG NONPROFITS
Introduction

By the nature of the current circumstances our clients are challenged with how to best manage the softer/human side of this crises. Often they ask us, “what is everyone else doing”?

To provide insights, BDO sponsored this specialized pulse survey to answer some of these critical human capital related questions, such as:

- How has the pandemic impacted business?
- Have organizations furloughed or laid-off employees?
- What is the impact on compensation? We need to keep our talent but we also need to balance our budget.
- When are organizations starting to bring employees back to the workplace?
- What practices are being employed to help with the transition and keep everyone safe?

Throughout the presentation we have supplemented the survey findings with insights from our experts to add practical advise and insights.
While COVID-19 has impacted everyone, the degree and type of impact has varied sector by sector, organization by organization.

- This is similar to what we have seen with for profit companies too - both private and public.

- Funding has been negatively impacted for 75% of the participants; however, for 63% the demand for services has been the same or has increased.

- Over 35% needed to make some form of workforce reductions through furloughs or layoffs.

- About 20% of the organizations decreased salaried - averaging 11% of payroll.
Highlights

- Approach for returning to work is broad and ambiguous at this point, though organizations generally agree that office re-openings will be based on business priorities.

- Telecommuting continues to be a popular option when feasible.
  - Again, this is similar to what we are hearing in the for-profit space, many are either delaying re-openings, giving employees the choice and in some more extreme cases, closing offices and continuing WFH indefinitely.
STUDY APPROACH & PARTICIPANT PROFILE
Study Approach

- Only nonprofits were invited to participate
- An invitation was sent to upper management level contacts in finance and HR
- The survey was open for participation for three weeks
- All data is held in the strictest of confidence
- Data is tabulated in such a way as to protect the confidentiality of the participants
83 organizations participated in the survey.

The most common locations of participants are CA, NY, TX & VA

Most participants categorized themselves as health and human services.

Participants typically have between 50 and 250 employees.
The majority of organizations were less than $50M in revenue and under a $100M in assets.

About half took advantage of federal grant funding.

**Organization Annual Revenue**
- Unsure: 2%
- Greater than $200M: 2%
- $100M - $200M: 5%
- $76M - $99M: 2%
- $51M - $75M: 8%
- $25M - $50M: 23%
- Less than $25M: 57%

**Organization Total Assets**
- Unsure: 1%
- $200M or more: 7%
- $100M - $199.9M: 8%
- $50M - $99.9M: 14%
- $25M - $49.9M: 18%
- $10M - $24.9M: 17%
- $5M - $9.9M: 14%
- Less than $5M: 19%
Participant Profile

- Over a third of the organizations focus on their local area, another third have a regional/national reach and just less than a third have an international reach.
- Of those with an international reach, only a quarter of them have a global workforce.
IMPACT OF COVID-19 ON BUSINESS
Participants were asked to describe how COVID-19 has impacted their revenue and funding which most noted as negative.

They were also asked to describe the impact on the customers’ demand for their services in which over a third actually increased.
IMPACT OF COVID-19 ON STAFFING
Logically, since one-third of organizations experienced a decrease in demand for services, just over a third of the participants needed to impose workforce reductions.

In organizations that reduced staffing, all of them reduced their workforce below the executive level and only 10% reduced their executive team.
Impact of COVID-19 on Staffing

- The most common approach used was furloughs.
- Respondents noted that over a third of their non-executive employees were furloughed or laid-off.
Impact of COVID-19 on Staffing

- For cases in which executives were FURLOUGHED, a significant portion of the executive team was impacted.
- For cases in which non-executives were furloughed, it was typically less than half the team.
- In most cases, the duration of these furloughs are anticipated to be four months or less.

% of Executives & Non-Executives Impacted by Furloughs due to COVID-19

- Non-Executives: 47%
- Executives: 73%

Anticipated Duration of Furloughs for Non-Executive Staff

- 1 - 2 months: 45%
- 3 - 4 months: 25%
- 5 - 6 months: 25%
- 7 - 11 months: 5%
- 12 months or more: 0%
Among the companies that conducted LAYOFFS, on average, 14% of non-executives were laid-off.

More than two-thirds of these non-executives will not be recalled.

Of those that will be recalled, most of them will be recalled within four months.
Twenty-four percent of participants reported new-hires during COVID-19. Of those, all indicated making non-executive hires and only 20% hired executives.

On average, these organizations hired 10 non-executives and 2 executives.

In most cases the new hires are considered permanent additions to the team.
IMPACT OF COVID-19 ON COMPENSATION
Impact of COVID-19 on Compensation Plans

2020 SALARY ACTIONS

- Half the companies either froze salaries or have not yet decided about salary increases.
- 17% of the organizations decreased salaries.
- About a third proceeded with increases.

<table>
<thead>
<tr>
<th>Addressing the Impact on Non-Executive &amp; Executive Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action</td>
</tr>
<tr>
<td>No decision has been made about 2020 salary increases</td>
</tr>
<tr>
<td>Proceeded with/will proceed with 2020 salary increases as planned</td>
</tr>
<tr>
<td>Regardless of COVID-19, we had no planned 2020 salary increases</td>
</tr>
<tr>
<td>Delayed/will delay salary increases to a later date in 2020</td>
</tr>
<tr>
<td>Cancelled/will cancel salary increases for 2020</td>
</tr>
<tr>
<td>Implemented/will implement salary decreases</td>
</tr>
</tbody>
</table>
For those that reduced salaries, the average reduction was 11% of payroll. Though the median for non-executives was only 6% compared to 10% for executives.

Most organizations plan to restore salaries by September though one has the date set for June of 2021.
Impact of COVID-19 on Compensation Plans
FRONT-LINE EMPLOYEES

- Over 50% of the organizations have front-line employees
- Almost 70% of those organizations indicated that these employees did not receive compensation adjustments.
Of the three types of compensation adjustments, special bonuses are the most prevalent.

There is a wide disparity in terms of the bonus amount ranging from a 25th percentile amount of $40 to a 75th percentile of $500 with a median of $100.

The median temporary pay increase of the respondents as a percentage of base salary was 18%.
For most companies, the economic downturn will require changes to one or more compensation programs.

- Compensation strategies should be tailored to each organization.
- For most companies, there will be a significant financial impact that will result in compensation changes.
- Fundamental considerations that determine the type of compensation adjustments that are needed include:
  - Compensation program adjustments in 2020
  - Organization’s ability to pay
  - Estimate of time for recovery
  - Changes in the business model
  - Stakeholder expectations
  - External optics
  - Talent pool

Impact of COVID-19 on Human Capital Decisions Among Nonprofits

Compensation Strategy Components

- Capital Preservation & Recovery Strategies
- Base Salary
- Annual Incentives
- Deferred Compensation
- Compensation Trends
IMPACT OF COVID-19 ON RE-OPENINGS & RE-ENTRY TO THE WORKPLACE
### SETTING THE STAGE:
**White House Guidelines for Opening America**

<table>
<thead>
<tr>
<th>PHASE 1</th>
<th>PHASE 2</th>
<th>PHASE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>For States and Regions that satisfy the gating criteria.</td>
<td>For States and Regions with no evidence of a rebound and that satisfy the gating criteria a second time.</td>
<td>For States and Regions with no evidence of a rebound and that satisfy the gating criteria a third time.</td>
</tr>
<tr>
<td>▶ Continue to encourage telework when feasible.</td>
<td>▶ Continue to encourage telework.</td>
<td>▶ Resume unrestricted staffing of worksites.</td>
</tr>
<tr>
<td>▶ If possible, return to work in phases.</td>
<td>▶ Close common areas.</td>
<td></td>
</tr>
<tr>
<td>▶ Close common areas.</td>
<td>▶ Strongly consider special accommodations for venerable personnel.</td>
<td></td>
</tr>
</tbody>
</table>

Source: [www.whitehouse.gov/openingamerica/](http://www.whitehouse.gov/openingamerica/)
Sample Office Reopening Decision Process

Step One
- State-wide 7-day moving average less than or equal to 5 (per 100k residents)
  - No further research needed, proceed to reopen

Step Two (if needed)
- Examine week over week County level change (per 100k residents)
  - Less than or equal to 20%?
    - If yes, then proceed to reopen
    - If no, then remain closed
- State-wide 7-day moving average between 5 and 10 (per 100k residents)
  - Pause reopening until cases fall to 10 per 100k residents or below
- State-wide 7-day moving average greater than 10 (per 100k residents)
  - DO NOT OPEN
Sample Office Reopening Evaluation Criteria

STATE LEVEL

COUNTY LEVEL

Source: globalepidemics.org/key-metrics-for-covid-suppression/
## Sample Phased Approach

Example includes four phases with specific guidance aligned with aspects of our work: Working in the Office, Health & Well-Being, Travel, and Meetings & Events.

<table>
<thead>
<tr>
<th>Phase 0</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESTRICTED STATE</td>
<td>RESTRICTIONS LIFTING</td>
<td>LIMITED HOTSPOTS</td>
<td>NO LONGER SUBSTANTIAL THREAT</td>
</tr>
<tr>
<td><strong>Office Capacity</strong></td>
<td>By exception</td>
<td>Up to 25%</td>
<td>Up to 50%</td>
</tr>
<tr>
<td><strong>Working in Office</strong></td>
<td>Moving from work-from-home to full office return or new normal</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Working at Client Sites</strong></td>
<td>Apply preventative measures that continue to make sense</td>
<td>Provide accommodations as needed</td>
<td></td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>Adjusting travel policies and restrictions as appropriate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meetings &amp; Events</strong></td>
<td>Adjusting in-person meetings and events as appropriate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Return to Work Plan (Level 1)
PROTECTING PEOPLE & THE EMPLOYEE EXPERIENCE

- Prioritize employee and customer health & safety
- Support wellness and mental health during return to work
  - Offer resources, show compassion, and reduce stigma
  - Employee Assistance Program and Flexible Work Arrangements
- Foster belonging, trust, and company culture virtually
- Implement technology to enable effective collaboration and productivity
- Clear communication from leadership to reduce uncertainty
Potential Risks and Blind Spots

**HEALTH & SAFETY**
- Employee and customer health & safety
- Health Screening
- Antibody Testing

**WORK & OFFICE**
- Essential employees
- Face coverings/masks
- Working at clients
- Third party readiness
- Commuting
- Hiring & onboarding
- Support for Contractors

**EMPLOYEES & FAMILIES**
- Fear
- Childcare
- High-risk person or loved one
- Workplace Accommodation

**REGULATORY & LIABILITY**
- Non-compliance
- Health Privacy
- Discrimination Claims
- Safe Workplace Requirements
- Employment Practices
- Exposure Liability
Impact of COVID-19 on Re-op/Re-entry to Work:
OFFICE FACILITIES

- 70% of organizations indicated that they had office closures.
- Two-thirds of them still allow some access for certain employees.

**Office Closures**

- Yes: 70%
- No: 30%

**Types of Office Closures**

- All offices closed: 66%
- Offices closed, but some access allowed: 28%
- Some offices closed: 7%
Impact of COVID-19 on Re-op/Re-entry to Work:
OFFICE FACILITIES

Organizations are implementing many safeguards to ensure the health of their employees as they return to work.

Impact of COVID-19 on Human Capital Decisions Among Nonprofits

Office Preparations for Employee Return

- Establishing routing and more thorough cleaning protocols: 79%
- Deep cleaning offices prior to opening: 72%
- Reducing the number of employees needed in the offices: 66%
- Reconfiguring offices to provide more personal space for employees: 57%
- Opening offices as soon as the jurisdiction allows workers to return: 40%
- Other: 26%
A third of the participants have not settled on a date to return to the office. Several in the “other” category are waiting until January.
Organizations are using multiple approaches to help employees transition back to the workplace.

Over 75% of companies said they would make accommodations for employees with limited ability to return to work.
Impact of COVID-19 on Re-op/Re-entry to Work:
OFFICE ATTENDANCE REQUIREMENTS

- Over 90% of respondents indicated that they would allow telecommuting under certain circumstances for those employees with limited ability to return to work.

- Organizations anticipated that they would allow these accommodations for 11 months on average.

<table>
<thead>
<tr>
<th>Accommodations for Employees with Limited Ability to Return to Work</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allow to telecommute/ work from home for employees under certain circumstances (e.g., children out of school, at-risk employee)</td>
<td>91%</td>
</tr>
<tr>
<td>Encourage use of paid time off days</td>
<td>41%</td>
</tr>
<tr>
<td>Offer use of flex time</td>
<td>39%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
</tr>
</tbody>
</table>
Almost half of the organizations indicated that calling back furloughed staff would be based on business priorities.

Similarly, 40% reported that calling back laid-off employees would be based on business priorities, though almost 25% of the organizations are not sure at this time.
IMPACT OF COVID-19 ON THE GLOBAL WORKFORCE

IMPACT OF COVID-19 ON HUMAN CAPITAL DECISIONS AMONG NONPROFITS
Participants were asked to indicate which employee groups were employed by global offices.

Of the respondents 83% noted that there were U.S. citizens and host country nationals.
Impact of COVID-19 on the Global Workforce

Organizations were asked about their response for employees outside the U.S. Two-thirds stated that employees would have to stay in that country and/or were unable to return home.

Organizational Response to Employees Outside of the U.S.

- All employees were required to return to their home countries: 0%
- Employees were required to stay/unable to return to their home country: 67%
- Other: 33%
Key Takeaways

- We are all in this together, however, the pandemic is impacting everyone differently.
- There is no one-size fits all answers - industry, impact, location all factor into decisions.
- The health and safety of employees and other stakeholders drives most decisions - balanced with the need to provide important services.
QUESTIONS?
For More Information
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BDO’S SERVICES

BDO’S NONPROFIT RESOURCE CENTER

BDO’S COVID-19 CRISIS RESPONSE RESOURCE CENTER
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