



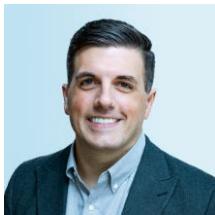
EAB

Assessing and Responding to the Near-Term Financial Impact of COVID-19

Overview of EAB and AHUA Survey Results

We will begin promptly at 14:03 once everyone has joined

Joining Us Today...



Gary Guadagnolo
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Catherine Webb
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Richard Calvert
*Deputy Vice Chancellor
(Strategy and Operations),
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Mike Shore-Nye
*Registrar and Secretary,
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Best Practice Research and Guidance Rooted in a Global Network

12+

Years serving the higher education sector in academic, business, enrolment, advancement, and student affairs terrains

1,500+

Partner institutions worldwide whose experiences provide the foundation for best practices and transformative insights

26,000+

Campus leaders using EAB services to recruit students, ensure their success, and adapt to an ever-changing environment

Core Pillars of EAB Support

Getting Smart on Complex Issues



Roundtable gatherings of senior leaders to hear latest EAB research



Best practice research studies and shorter-term collaborative initiatives

Making Better Decisions



On-demand advice delivered via workshops and webconferences



Expert consultations with EAB subject-matter experts

Accelerating Implementation



Change management guides, self-assessments, and implementation tools



Executive networking with global peers

Responding to COVID-19 Across Multiple Horizons

4

Summer 2020

"How do we address the immediate financial challenges of the crisis?"

Emergency Financial Management

Support for Immediate Financial Decisions, Including:

- Refunds policies
- Contingency planning
- Near-term cost containment

Today's focus

Autumn 2020

"What difficult decisions and trade-offs will we need to make by autumn?"

Budget Planning Through an Economic Downturn

Forecasting the Impact of COVID-19 on the Sector

- Detailed analyses of potential future impact on major revenue streams
- Small peer working sessions on key budget assumptions

Winter 2021 + Beyond

"What will competitive differentiation and financial sustainability look like in a radically altered higher ed landscape?"

Future Visioning of New Student and Staff Norms

Strategies for a Post-COVID-19 Landscape

- Longer-term cost restructuring strategies
- Competitive differentiation in an altered market
- Future of admin work and space utilisation

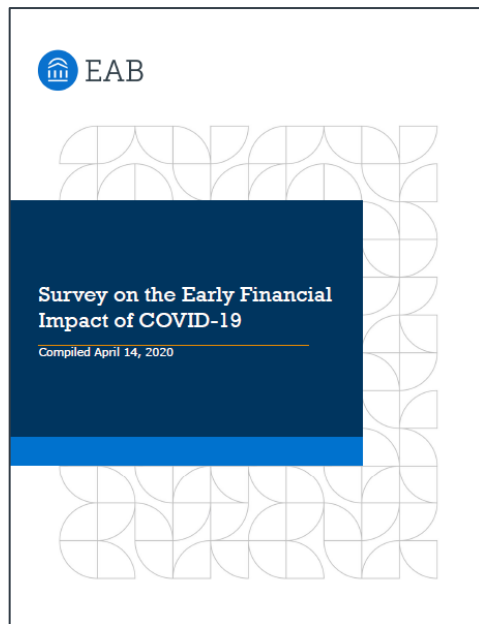
- 1 **Results of EAB and AHUA Survey on the Immediate Financial Impact of COVID-19**
- 2 Cost Containment Strategies in the COVID Environment
- 3 Panel Discussion

EAB's Financial Impact Survey

A Snapshot of COVID-19's Early Impact on Higher Education Institutions

▶ Survey in Brief:

- 15-question survey assessing the early financial impact of the COVID-19 crisis
- Circulated to >300 business and finance leaders across the US, Canada, and the UK
- Questions spanned four major topics:
 - Cost and loss estimates for FY20
 - Pursued and planned tactics to increase liquidity
 - Pursued and planned tactics to contain costs
 - Confidence in FY21 budget planning assumptions



Near-Term Financial Impact

Emergency Costs and Lost Revenues

North American Estimated Total Costs Incurred at Survey Response Date

£5.7M

Median estimated cost among all survey respondents

3.6%

Median estimated cost as a percent of OpEx¹ among all survey respondents

UK Estimated Total Costs Incurred at Survey Response Date

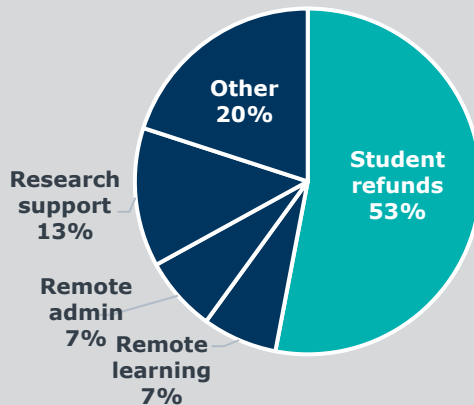
£3.1M

Median estimated cost among all survey respondents

2.3%

Median estimated cost as a percent of OpEx¹ among all survey respondents

Compared to North America, Student Refunds in the UK Comprise Less of a Financial Impact (For Now)



1) Financial calculations have been converted from USD using exchange rate of 1 USD = .81 GBP

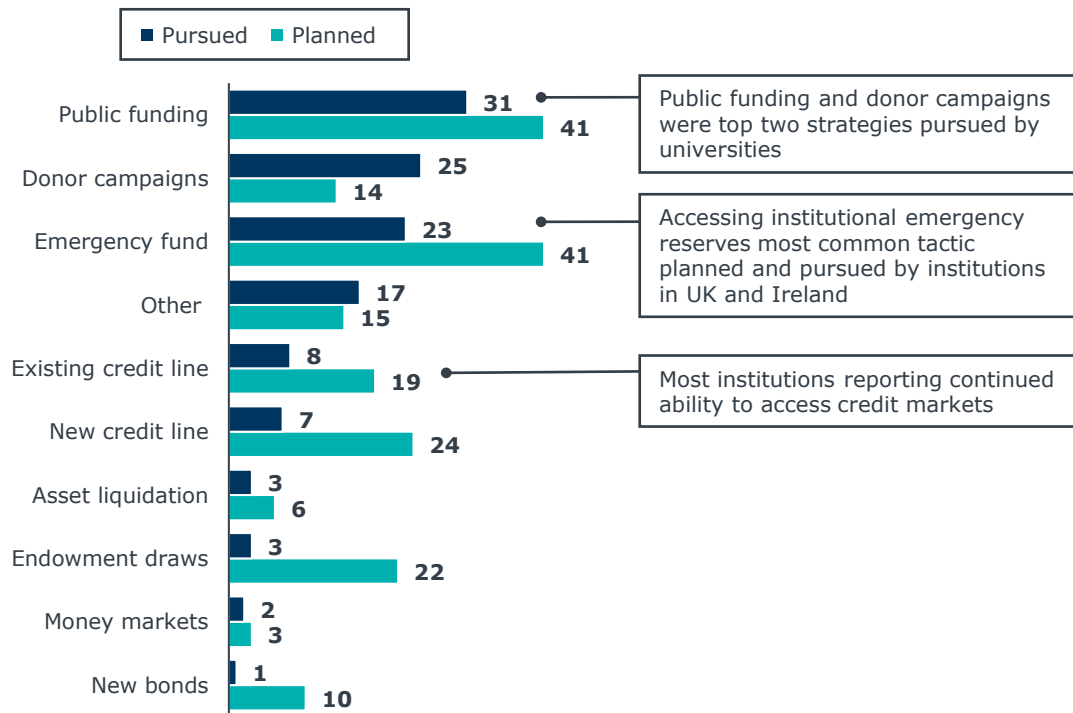
2) Operating Expenditure.

Cash Is King



Pursued and Planned Tactics to Increase Liquidity

Implemented and Expected Tactics—All North American and UK Respondents



Hoping for the Best, Planning for the Worst



Most Finance Leaders Updating Contingency Plans Whilst Implementing Them

83%

of respondents updating financial contingency plans as a result of COVID-19

25%

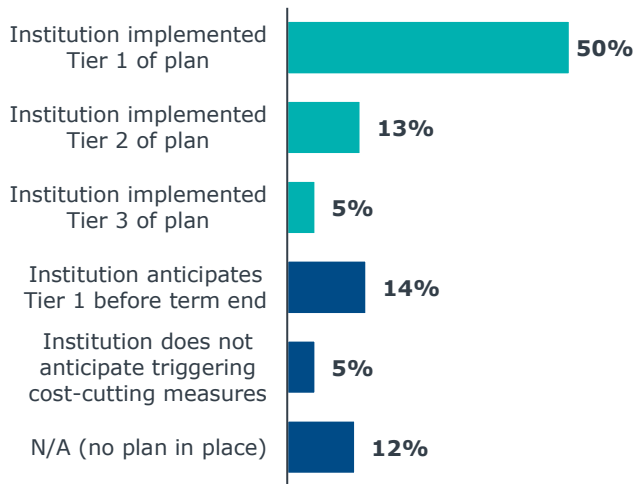
of respondents developing contingency plans for the first time

68%

of respondents using **projected revenue losses and/or incremental expenses vs. budget** to set thresholds to trigger action



68% of Institutions Already Actively Implementing Tactics on Plan

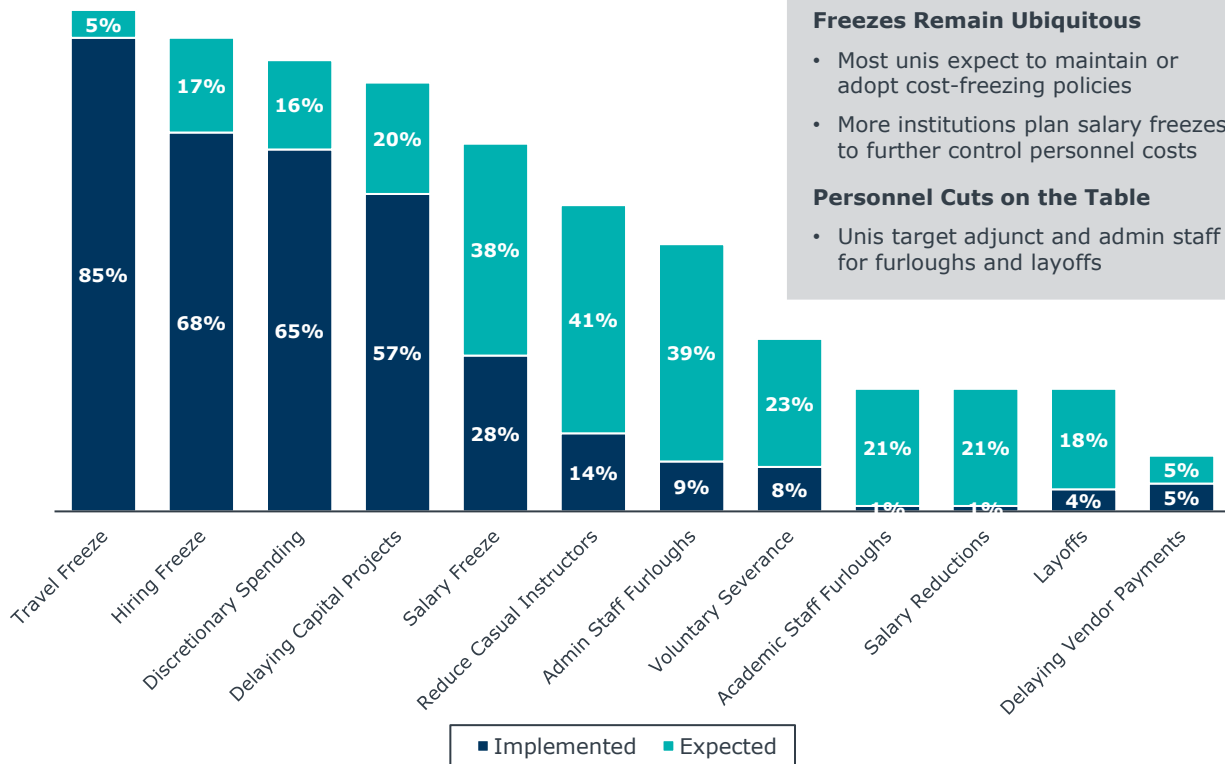


For guidance on creating financial contingency plans, download EAB's [Playbook for Immediate Labour Savings](#).

Implemented and Expected Cost Control Plans



Data for All Respondents



Freezes Remain Ubiquitous

- Most unis expect to maintain or adopt cost-freezing policies
- More institutions plan salary freezes to further control personnel costs

Personnel Cuts on the Table

- Unis target adjunct and admin staff for furloughs and layoffs

■ Implemented ■ Expected

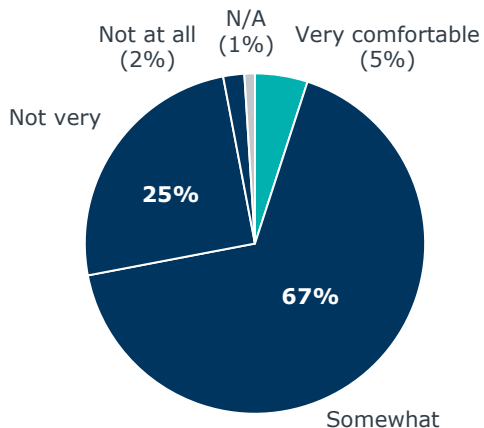
Uncertainty Around Future Budget Projections



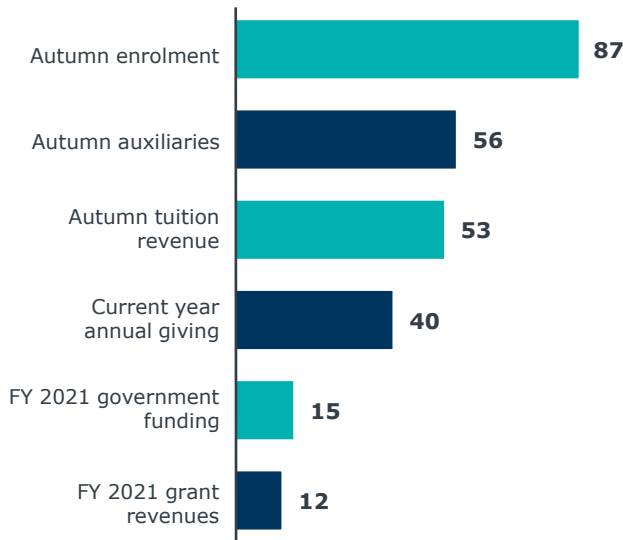
Most Leaders at Least Somewhat Uncomfortable with Current Plans

Varying Degrees of Confidence Around Budget Planning Assumptions

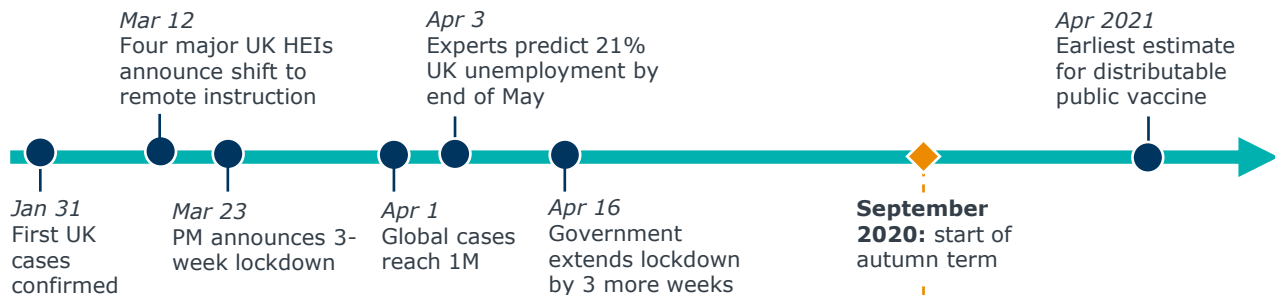
How comfortable are you with your current scenario model?



Which budget planning assumptions are you finding most difficult to make in the current environment?



How the Pandemic Could Play Out for the Sector



Three Scenarios for How COVID-19 Could Impact Autumn Operations

Recovery Before Autumn

Campuses reopen to a new normal. "Flattening the curve" succeeds, and most activities resume, but large-scale events and athletics still paused, with new distancing in dorms.

Partial Recovery by Autumn

- Campuses reopen but risk reclosure, *or*
- Large modules must be held online, *or*
- Many students cannot return due to travel restrictions

No Recovery by Autumn

Campuses stay closed. Rolling peaks of infection throughout the UK require emergency remote instruction throughout autumn term.

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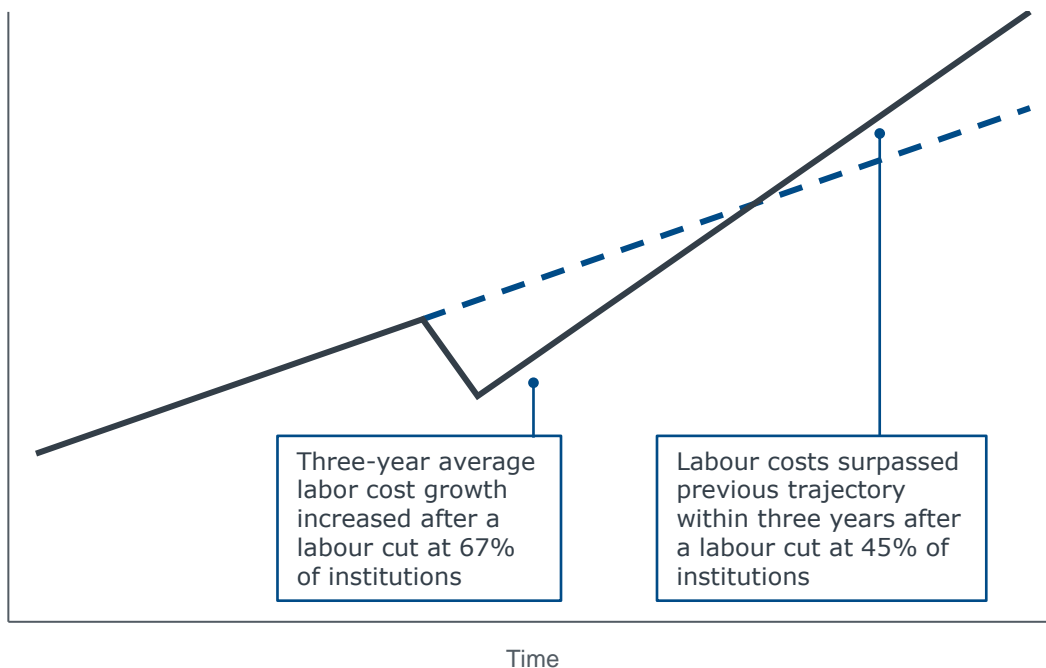
Most Cuts Don't Last



Historical Data Shows Many Institutions Are Worse Off After Labor Cuts

Modeled Labor Cost Growth Following Significant Cut

n = 1,307



Cutting Into the Bone



Over-Correction Quickly Erases Gains from Labour Cuts

1 Institution cuts labour

Institution institutes hiring freeze and lays off 40+ central admin staff



2 Units short-staffed

Select units under-staffed during busiest time of year

3 Unit managers turn to costly alternatives

Leaders use expensive overtime and temp agencies to temporarily fill in staffing needs

4 Institution experiences net loss

Money spent on expensive staffing alternatives exceeds money saved from labour cuts

Case in Brief: Barnes University¹



- Small public baccalaureate university in the United States
- Implemented hiring freeze and layoffs in central admin to reduce costs, but ultimately saw costs increase when unit leaders corrected for reduction with expensive premium labor

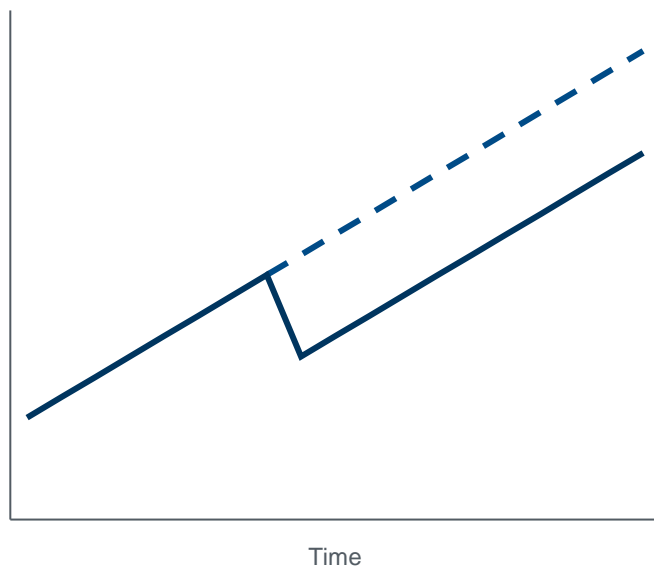
1) Pseudonym.

Rebasing the Current Cost Structure



Strategies Yield Immediate and Sustainable Savings to Combat Losses

Modeled Labour Cost Growth Following Principled Savings Tactic Implementation



Contrasting Rebasing Tactics to Cost Cutting

- Cuts often go too deep, impacting staff's ability to perform needed work and leading to costly course corrections
- Rebasing tactics reduce cost baseline without increasing growth rate or "cutting into the bone"
- Principled approaches to cost savings do not hinder work processes or damage staff morale, making them more sustainable long-term

COVID-19 Playbook for Immediate Cost Savings

Compendium of 60+ Containment Tactics and Implementation Guidance

Functional Categories

Contains **67** distinct tactics organized into nine categories:

- Benefits Vendor Management
- Compensation
- Employee Stipends and Perks
- Fringe Benefits
- Health Benefits
- Overtime
- Personnel Decisions and Staffing
- Physical Plant and Real Estate
- Purchasing and Procurement

Snapshot of the Cost Containment Tactics

VII. Personnel Decisions and Staffing			
Page Subtitle – Verdana 13pt Regular, Title Case			
Tactic	Savings Potential	Time to Achieve Savings	Requires Union Negotiation
#39: Freeze hiring	\$\$\$	Short	Not Likely
#40: Create hold period for vacancies	\$	Short	Not Likely
#41: Enact targeted layoffs	\$\$\$\$	Short to Long	Likely
#42: Consolidate management layers within departments	\$	Medium to Long	Not Likely

Implementation Guidance

Having freeze can generate immediate cost savings, and... (text partially obscured)

Establishing a period of time that newly vacated positions should fill (see below) they are classified... (text partially obscured)

Consolidating management layers within departments... (text partially obscured)

Access the compendium [here](#).

Adapting Furlough Plans to COVID Realities



How Today's Policies Are Differing from the Great Recession's

	Post-Great Recession	Immediate COVID Response	Future COVID Projections
Affected institutions	Most common at public institutions in the US, with some states mandating for all employees	Across the board—at least 50 institutions to date (41% of survey respondents planning)	Likelihood that some governing bodies will mandate as they grasp magnitude of budget deficits
Targeted staff	All administrative staff, though number of furlough days required varied by salary	Staff who cannot perform duties remotely, commonly those in auxiliaries	May see more across-the-board announcements across summer if on-campus activities cannot resume
Duration	Short duration, amount of furlough days required of each employee defined upfront (typically fewer than 20 days)	Longer-term, some indefinite (i.e., expected to last through summer to start of 2020-21 academic year)	More institutions likely to create tiered plans with furlough durations varying by paygrade if they target staff more broadly

Select Furlough Savings from the Great Recession



Furloughs (10-15 days) yielded **£19.4 million¹** in savings in FY09, which was 40% of their required budget reduction



System-wide furloughs (11-26 days) yielded **£149 million** in savings in FY09-FY10, which was 25% of their budget shortfall



Furloughs (5 days) yielded **£2.7 million** in savings in FY09, which was 60% of their required budget reduction

¹) Financial calculations have been converted from USD using exchange rate of 1 USD = .81 GBP

Supporting Staff Through Long-Term Furloughs

Select Institutions Crafting Policies that Reflect Staff Needs Amid Pandemic



Loughborough University's Robust Benefits Package

- Furloughing employees unable to carry out work remotely
- Institution will apply for Government funding to cover 80% of furloughed staff pay, and top up remaining employees' pay
- Employees will continue to accrue annual leave, and pre-booked leave will not be cancelled
- Pension contributions will continue, and University will maintain employer contributions
- For more info about Loughborough's furlough benefits, click [here](#)



University of Oregon's Coordinated Program

- Putting 282 employees on leave-without-pay status until August 31, 2020
- Developed UO Extended Benefits Program in consultation with unions to reduce employee hardships
- Employees receive minimum 30-day paid notice and continued health insurance at same rate
- For more info about Oregon's program, click [here](#)



UNSW
SYDNEY

UNSW Sydney's Voluntary Leave Without Pay Option

- Asking staff to consider voluntary leave without pay to help offset budget deficits and avoid job losses
- Staff also have option to take voluntary pay cut in return for more leave, work fewer hours for less pay, or voluntarily retire
- Allows staff to contribute to savings goals in manner that best supports their immediate personal and financial needs
- For more info about UNSW Sydney's announcement, click [here](#).

Sample Tiered Furlough Plans

Learning from Peer Policies and Staff Communications



The University of Arizona's 2020-21 Tiered Furlough Plan¹

Projected Revenue Loss- \$250M

Income Bracket	Furlough Days	Equivalent % Pay Reduction
<\$44.5K	13	5%
\$44.5-75K	26	10%
>\$75-150K	39	15%

- Staff must take at least 8 hours of furlough time each pay period until days are fulfilled
- Furlough leave does not affect benefit eligibility, though benefits calculated as a percentage of earnings (e.g., life insurance) will be reduced slightly
- Staff continue to accrue vacation and sick leave at regular rate
- For FAQ and sample staff communications from the University of Arizona, click [here](#).

Archived Tiered Furlough Plans from the Great Recession (2009-2011)

- [Morgan State University](#)
- [Oregon State University](#)
- [University of Louisiana Monroe](#)
- [University of Toledo](#)

1) Staff making more than \$150K are subject to pay reductions of 17-20%

Layering on Other Compensation Adjustments

Multi-Tiered Savings Approaches Minimize Disruption for Staff

Common Salary Adjustments During COVID-19



Vice Chancellors
10-20% temporary pay cuts



PVCs and Deans
5-10% temporary pay cuts



Staff
Merit increase freezes and voluntary salary reductions



Athletics
One-year pay reductions for coaches and directors

University of Minnesota's Approach

- 1 10% temporary VC salary reduction
- 2 One-week unpaid leave for 200 senior administrators
- 3 Staff-wide freeze on merit increases

£32-40M^{1,2}

Total expected savings from salary freezes and senior admin pay reductions

Considerations for Equitable Compensation

- ▶ *Tiered pay cuts based on salary brackets*

Quinnipiac
UNIVERSITY

Quinnipiac University's tiered system reduces staff pay cuts from 5% to 3% for employees making less than \$50K

- ▶ *Incentives for those with new occupational hazards*

 **USC** University of Southern California

University of Southern California's incentive pay system compensates essential clinical personnel despite campus-wide salary freezes

1) Amount equivalent to 143-179% of refunds losses (£23M)

2) Financial calculations have been converted from USD using exchange rate of 1 USD = .81 GBP

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Please Welcome Our Illustrious Fortune Tellers...



Richard Calvert
*Deputy Vice Chancellor
(Strategy and Operations),
Sheffield Hallam University*



Mike Shore-Nye
*Registrar and Secretary,
University of Exeter*



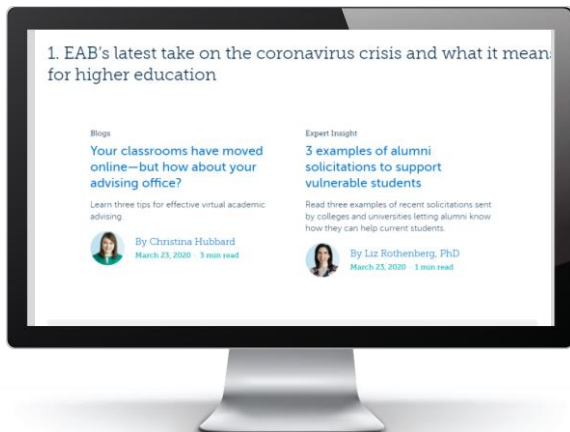
Louise Watson
*Chief Financial Officer,
University of Greenwich*

Use the 'Q&A' function in Zoom to submit a question for the panel.

Support for Immediate Challenges

Visit our resource centre now:

eab.com/COVID19



Strategy Through the Crisis and Beyond



Incoming and Current Student Retention



Enrolment and Academic Programme Strategy



Research, Advancement, and Community Outreach



Budgeting and Financial Modeling



Organisational Transition and Transformation



Please complete the exit survey—you can let us know if you'd like a copy of the presentation or other resources.



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