



Building a better  
working world

# Workforce Economics Modelling Tool

Protecting people, operations and values through a global crisis

People Advisory Services FI

Companies face unprecedented challenges in responding to the novel coronavirus outbreak. The sudden and significant impact to business operations by infection and suppression measures, and the uncertainty on the duration of these measures means organisations have a pressing requirement to understand the workforce related interventions and economic options available to ensure the sustainability of their business.

## EY's Workforce Economics Modelling tool

EY has developed a Workforce Economics Modelling tool aligned to employment law of Finland as an enabler of the response to Corona. The tool provides directional insight that helps with the following questions;

- What are the workforce cost related interventions available to my organisation?
- To what degree could each intervention help with the sustainability of my business - ranging across the below categories;
  - freezing my cost inflation,
  - temporary reductions or reductions to benefits/ pay (including furlough options)
  - reductions to the workforce

Our approach provides insights to allow senior leaders to align on and prioritize actions based on business needs and considering workforce-related savings options. We have the ability to help:

## Better understanding on different alternatives as a starting point

In the beginning of March 2020, governments across Europe implemented temporary schemes to help companies that had been severely impacted by the economic downturn triggered by COVID-19. These schemes were in general intended to alleviate pressure on employers, help minimize redundancies and to protect the economy during the economic downturn. In light of this, a key question faced by employers was how to mitigate the risks and challenges with measures intended to keep companies vital and help them over the early impacts to enable strong and energetic recovery. Also, in Finland several temporary amendments have been implemented in the employment legislation, which facilitate the measures necessary for the employers to take. To make the best business decisions, it is necessary to understand the principal alternatives available in regards of new temporary schemes, but also the ones already existing pre COVID-19

## Benefits of the tool

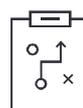
1. Informed and quantitative assessment of high level options related to short term and long term workforce decisions
2. Quickly model multiple scenarios, using company-specific data, combined with the latest employment practices
3. Prioritized actions based on a better understanding of the impact on individuals and the business



Provide a directional estimate of workforce cost reductions utilizing our **Workforce Economics Modelling Tool**



Tailor actions based on anticipated value of the change, while minimizing impact on employees



Review a range of actions which address current business needs, and assess financial vs. workforce impacts



Ease/speed of executing the change, responding to fiscal policies legal considerations and applicability by geography



The better the question.  
The better the answer.  
The better the world works.

# EY's Workforce Economics Modelling Tool

## How it works

- 1 Begin with aligning on guiding principles and the initial objective
- 2 Work with you to apply your sector lens then complete simple client input sheet to collect relevant data points
- 3 Explore multiple scenarios using pre-loaded or employer specific variables, which can be defaulted or further refined

## Value delivered

- 1 Easily and quickly model various scenarios to meet immediate savings goals
- 2 Evaluate decisions based on value vs. employee impact, align across stakeholders, and implement mindfully
- 3 Consider potential recovery and long term decisions

### Examples of HR alternatives



Workforce Overview		Salaries, bonus, benefits assumptions	
Total Employees	3 344	Total sum of all employee populations	
Worker group 1	8	Total number of worker group 1	
Worker group 2	240	Total number of worker group 2	
Worker group 3	1 081	Total number of worker group 3	
Worker group 4	997	Total number of worker group 4	
Worker group 5	887	Total number of worker group 5	
Worker group 6	122	Total number of worker group 6	
Average Annualised Salary - Worker group 1	93 420 €	Annualised across the Worker group 1	
Average Annualised Salary - Worker group 2	76 875 €	Annualised across the Worker group 2	
Average Annualised Salary - Worker group 3	52 794 €	Annualised across the Worker group 3	
Average Annualised Salary - Worker group 4	42 648 €	Annualised across the Worker group 4	
Average Annualised Salary - Worker group 5	35 104 €	Annualised across the Worker group 5	
Average Annualised Salary - Worker group 6	33 863 €	Annualised across the Worker group 6	
Annual direct wages and salaries	154 769 320 €	Total annual cost for wages and salaries (incl. Contractual benefits)	
Average contractual benefits (% of salary)	1%	Average value of contractual fringe benefits (% of salary) across the entire population. Benefits	

Workforce Economics Modelling Tool (Financial)		Change (in % - these cells)				
Category	ID	Scenario	Variable 1	Variable 2	Variable 3	Variable 4
Cost reduction	1	Reduction of A				
	2	Reduction of B				
	3	Reduction of C				
	4	Reduction of D				
	5	Reduction of E				
	6	Reduction of F				
	7	Reduction of G				
	8	Reduction of H	yes	50% reduction		Linking to assets
	9	Reduction of I				
	10	Reduction of J				

Estimated cost reduction		
Direct cost	€	8 500 545
Indirect cost	€	1 940 221
Total cost	€	10 440 766

## Getting started

- 01 **Gather Data**  
2-3 days
  - Understand business need and revenue impacts
  - Collect employment cost data
  - Establish initial cost reduction needs
  - Establish cost reduction principles
- 02 **Detailed Analysis**  
3-5 days
  - Model 3-5 scenarios based on cost reduction needs
  - Conduct virtual workshop to review scenarios and align
  - Conduct detailed analysis on desired scenario
- 03 **Build Plan and Execute**  
Build plan: 3-5 days, Execute: Varied
  - Leadership sign-off
  - Operational actions required to execute (legal and compliance review, payroll, vendor communications, etc.)
  - Org and talent planning services for any headcount reductions
  - Change and communications plan

For more information please contact



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# EY's Summary of Finnish government's response to COVID-19 – At a Glance

Topic	Relief Available to All Employers
<p><b>The following amendments have entered into force on April 1, 2020 and will remain in force until June 30, 2020, unless otherwise stated</b></p>	<p><b>Reduction of the minimum negotiation times and furlough notice period</b></p> <ul style="list-style-type: none"> <li>The minimum negotiation times laid down in the Finnish Act on Co-operation within Undertakings in the event of furloughs are temporarily reduced to five days in all situations. If the negotiations have been commenced prior to April 1, 2020, the reduced negotiation times shall be applied.</li> <li>The notice period for furloughs under the Finnish Employment Contracts Act is also temporarily reduced to five days. An employer who has given a notice of furlough to an employee before April 1, 2020 may furlough the employee when at least five days have passed from the notification. The employee must be notified of shorter notice period.</li> <li>It is to be noted, that the employer must also issue a written proposal for negotiations at the latest five days prior to the commencement of the negotiations. No amendments to the Act of Co-operation within Undertakings have been implemented or proposed regarding this.</li> </ul> <p><b>Extending the right to furlough to fixed-term employments</b></p> <ul style="list-style-type: none"> <li>The right to furlough is temporarily extended to cover fixed-term employment contracts to the same extent as for indefinite employment contracts.</li> <li>Furloughed employees will have a right to terminate their fixed-term contracts regardless of its original term.</li> </ul> <p><b>Extended right to cancel the employment contract during a trial period</b></p> <ul style="list-style-type: none"> <li>Cancellation of an employment contract during the trial period is temporarily allowed on financial and production related grounds.</li> </ul> <p><b>The right to deviate from the co-operation obligations in exceptional situations</b></p> <ul style="list-style-type: none"> <li>The Act on Co-operation within Undertakings permits that the employer may deviate from the co-operation obligations if particularly weighty and unforeseeable reasons which are causing damage to the production or service activities of the company preclude the co-determination negotiations.</li> <li>This deviation right is applicable under current legislation if the conditions are met, and no amendments have been proposed regarding this.</li> </ul>
<p><b>The following amendments have entered into force on April 15, 2020 and shall remain in force until July 6, 2020</b></p>	<p><b>Improvements for the unemployment security</b></p> <ul style="list-style-type: none"> <li>The deductible period of the employee's unemployment security, in case of furlough or termination of employment, is temporarily cancelled.</li> <li>The period of employee's furlough is not included into the maximum time of the employee's unemployment security.</li> <li>Unemployment security legislation is clarified to entitle employees to daily unemployment allowance also in case of agreed furlough.</li> <li>The employment condition with regards the unemployment security is reduced. Unless the employment condition is otherwise met, the employment condition will be set to 13 weeks in relation to regular employees or to 26 weeks in relation to family members of the entrepreneur who are employed by the company.</li> </ul>
<p><b>Furloughing fairly</b></p>	<p>Under the basic rules clients can choose the employees they wish to furlough provided the employee is eligible. There are, however, a number of other important considerations clients need to understand and consider.</p> <ul style="list-style-type: none"> <li>How to select who to furlough and whether to rotate the employees on furlough?;</li> <li>How to ensure that employees with protected characteristics are not discriminated against, e.g. are disproportionately furloughed?;</li> <li>How to ensure that re-deployment opportunities are considered and/or equitably distributed?;</li> <li>Whether offering voluntary furlough programs will lead to more employees with caring responsibilities electing to be furloughed?;</li> <li>What are the impacts (legal and other) of any changes to pay and to terms and conditions?;</li> <li>Minimum wage issues.</li> </ul>