

Transforming Engagement Series: Report One

People risk: why the need for change is urgent

reba

Reward & Employee
Benefits Association

PURSuing BEST PRACTICE

Published by the Reward & Employee Benefits Association in partnership with

 MercerMarsh
Benefits

Intro: Transforming people strategies to reduce business risk

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Over the past year chief human resources officers (CHROs) have been catapulted into a driving seat on company boards as organisations make rapid strategic decisions on challenges that usually take years to agree. While the catalyst for this risk-mitigating shift to raise the importance of the HR team has been the global pandemic, this research shows that longer term forces are having an even greater influence that will supersede the relatively short-term hit of the dangers of a deadly virus and debates on whether homeworking is here to stay.

After reacting quickly to board decisions on business premises and safety policies, through to workforce expansion/contraction plans and employee wellbeing, CHROs and their HR teams need to maintain hold of their leadership roles to steer organisations through even bigger waves of change.

This research, conducted with the support of global consultancy Mercer Marsh Benefits, demonstrates how increasing pressure on CEOs from investors, customers and employees to focus on purpose, resilience and long-term sustainability are moving board decisions into new areas. These multi-directional pressures to decrease the long-term risks of focusing on short-term financial gains are changing business models and bringing the focus on people to the fore.

This change in operating climate means that CHROs need to work closely with their CEOs and CFOs to elicit new ways of thinking that will enable businesses not just to survive the risks they face during today's ongoing upheavals, but to thrive as market forces change in unrecognisable and often unimagined ways.

Our report aims to bring into succinct focus the key challenges facing businesses today, alongside the vital areas where HR teams will increase or decrease their attention during 2021. We cut through the enormity of the challenge by breaking down, in data, practical lists and advice, the actions against which HR can check thinking and rework or expand current plans.

This report is the first of a three-part series that will provide the context and practical steps needed to meet the challenge of transforming organisational culture into one that engages its employees and reduces its people risks.

Transforming engagement series

Report 1: People risk: Why the need to change is urgent
Published in May 2021.

Report 2: Aligning corporate culture and human values
Publishes in June 2021.

Report 3: Technology change is business change
Publishes in October 2021.

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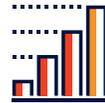
Overview: Why the need for change is urgent

This research demonstrates just how much businesses will focus on people and broader society values in 2021.

Perhaps the lasting legacy of the pandemic will be a better world of work, where long-expected changes have arrived at speed. Organisations were able to move fast and adapt businesses to pandemic conditions largely because of the creativity, productivity and collegiality of employees. Capitalising on this engagement is crucial for business success, while turning focus away from people will lead to devastating business risk. Not least because OECD countries have experienced an unexpectedly strong labour recovery. A year ago unemployment shot to 9% but was down to 6.9% by the end of 2020 – half the level predicted.



Meeting diversity and/or inclusive workforce targets



Increasing digitisation



Meeting environmental targets



Increasing focus on purpose

Our research shows that even as organisations reshape businesses, focus on values such as diversity and inclusivity, as well as environmental targets and purpose have shot up board agendas. This prioritisation of people and broader society is being driven by employees, customers, local communities and external players such as shareholder investors.



Employee wellbeing



Use of flexible working (time and/or location)



Diversity and inclusion for BAME groups



Diversity and inclusion by gender



Applying new organisational structure(s)

Our data shows how board-level focus is shaping HR focus. Achieving employee wellbeing is front and centre to achieving employee engagement and mitigating the risk of high staff turnover, recruitment costs, burnout and low productivity.

During 2021, almost two thirds of HR teams will focus on applying new organisational structures, demonstrating just how much businesses will continue to reshape over the coming year. But just as organisations rethink their operational structures to meet changing market demand, so too do HR teams need to rethink collaboration across their own disciplines to meet the challenges of reskilling and new ways of working.

Never has the call been stronger for HR to work closely with CEOs and CFOs to shift culture, change fast and adapt our world of work.

Why managing people risk has never been more critical for businesses

Unsurprisingly, people risks are rising up the agenda and risk departments are finding they need to work together with HR managers to tackle these increasingly critical threats. Hoe-Yeong Loke, Research Manager at Airmic, says: “During the Covid-19 crisis, organisations have been facing increasing pressure in balancing the need to maintain operational continuity against supporting and protecting their employees. More than ever, this balancing act has come under an unprecedented level of public scrutiny.

“Public trust is won or lost by how organisations protect their people on the front line. It is clear that the future of businesses will be determined not only by whether they maintained operational resilience during this crisis, but whether their achievements were made with social responsibility in mind.

“As society becomes more cognisant and empathetic towards new trends in areas such as workplace culture, healthcare, fair pay and gender identity, organisations are entering an era of unprecedented volatility with regards to people risks.

“If HR practitioners are to start thinking about people risk in a holistic manner, allowing them to be true business partners who contribute to the overall strategy of the organisation, risk and insurance professionals should be prepared to provide support.”

Airmic is the UK's association for risk professionals. The group regularly carries out research to see which risks are top of mind for businesses.

Data at a glance: The major business challenges faced by organisations in 2021



59% Meeting diversity and/or inclusive workforce targets



45% Increasing digitisation



42% Meeting environmental targets



41% Increasing focus on purpose



37% Being a responsible business



35% Restructuring or closing divisions



31% Increasing automation



28% Moving into new/different product/service areas



19% Managing expanding market demand



15% Managing contracting market demand



13% Expanding into new countries

Data in this research shows that even as organisations reshape their businesses for a variety of reasons, values such as diversity, equality and inclusivity, as well as environmental targets and purpose have shot up board agendas to be the major business challenges faced by organisations in 2021. This focus on people and broader society is being driven by employees, customers, local communities and external players such as shareholders looking to invest in businesses that will be sustainable over decades, and therefore less of a risk than those companies that prioritise short-term returns over long-term values.

Data at a glance: Areas in which HR teams will increase focus in 2021



85% Employee wellbeing



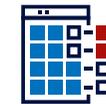
84% Use of flexible working (time and/or location)



68% Diversity and inclusion for BAME groups



65% Diversity and inclusion by gender



63% Applying new organisational structure(s)



53% Corporate cultural change



50% Efforts to recruit new skills



50% Efforts to retrain existing workers with new skills



39% Global consistency of HR



26% Decreasing the size of the workforce



20% Increasing the size of the workforce

During 2021, almost two thirds of HR teams will focus on applying new organisational structures, demonstrating just how much businesses will continue to reshape over the coming year. But just as organisations rethink their operational structures to meet changing market demand, so too do HR teams need to rethink collaboration across their own disciplines.

Working in silos will put business and HR strategies at risk. So, this means that workforce planning cannot be considered without modelling employee wealth and pensions planning; reward policies have to be linked to skills development programmes; and corporate culture and business transformation require robust workplace wellbeing programmes to effect change.

Influencer views



“Covid-19 has forced organisations to work in a new way putting the focus on output, not presence. Suddenly, people have realised we can combine flexibility and productivity, create hybrid workplaces, bring a digital workplace to life and focus a lot less on physical presence.”

Leena Nair

Chief Human Resources Officer, Unilever



“With much of HR and reward it’s about business leaders making informed decisions because it’s the right thing to do and it’s part of their job. We provide the frameworks, the intelligence, the toolkits and so forth, but they should be the ones leading it.”

Claire Yule

President, Reward and Mobility, Wood



“To fully capitalise on this opportunity, HR and reward directors need to focus on speaking the language of the c-suite, which means breaking down silos and working with chief risk officers. Clearly HR has a critical role in making sure that boards can balance risks, cost and willingness to do the right thing for the wellbeing of their employees and the health of the organisation.”

Nick McClelland

Partner and UK Growth Leader, Mercer Marsh Benefits



Part 1: The drivers for changing organisational structures

Long-term shifts, such as the rise in automation, coupled with the short-term sharp hit of the pandemic have led to a dramatic speeding up of changes in consumer behaviour, working arrangements and the ways businesses need to operate. This sea change is reflected in our finding that almost two thirds (63%) of HR teams will be increasing their focus on new organisational structures during 2021.

The level of change can be vast – from corporate restructures and division closures to moving into new product areas and expanding markets. It's no wonder the majority of HR teams will be kept occupied dealing with organisational structures.

While many respondents commented that budgetary constraints are a concern for them, several are embracing the chance to do things differently and better. For example, a number of the firms surveyed saw the opportunity to rebroke their benefits globally to contain costs.

Change can trigger new opportunities

The pandemic has also created opportunities and many firms have looked to capitalise on those by diversifying into new products or services or expanding into different regions. This too creates risks and opportunities for HR, especially when it comes to making sure that the workforce can expand; there's retraining for new skills needed; talent can be found in different regions; that any redundancies do not damage the employer brand; and that benefits, pay and reward can adapt to new workforce profiles.

“For me, corporate activity was the golden opportunity to say, ‘right, let’s bring this together once and for all’. If a company has the opportunity to harmonise, then do it because it simplifies everything from an HR and commercial point of view and helps create a new company culture and a sense of belonging for employees. We now have an agreement that any company we bring into the Wood family, we aim to harmonise within six months.”

Claire Yule, President, Reward and Mobility, Wood



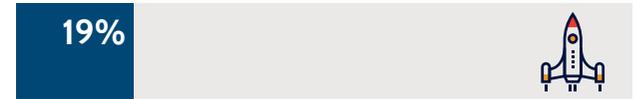
of HR teams will increase focus on organisational structures partly because their businesses are facing these challenges:



Restructuring or closing divisions



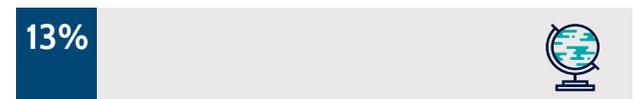
Moving into new/different product/service areas



Managing expanding market demand



Managing contracting market demand

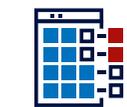


Expanding into new countries

Part 1: The drivers for changing organisational structures

Change is often not a clear-cut winner or loser scenario. Within the same organisation there can be both growth and a shrinking of different product areas or skills needs. For example, in retail the rise in automation in warehouses (where goods are being picked by robots working alongside humans) is taking place at the same time as the need to expand and improve tech skills as the sector becomes increasingly digitised. These types of enormous and unstoppable shifts feed through to corporate culture changes. There is, however, a need to keep a level of consistency across the business to avoid the risk of excessive change compromising the employer brand and employee experience.

Areas in which HR teams will increase focus during 2021



63%

Applying new organisational structure(s)



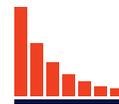
53%

Corporate cultural change



39%

Global consistency of HR



26%

Decreasing the size of the workforce



20%

Increasing the size of the workforce



Five questions to ask ahead of an organisational restructure

1. Do we have the skills we need throughout the organisation in order to thrive?
2. Have we embraced flexibility to allow us to adapt during the next crisis?
3. Are staff reassured that we have treated their colleagues well – and will we treat them well in the future?
4. If we are going through M&A activity, do we want to adopt the systems and culture of the other organisation, retain our own, or develop an entirely new one?
5. In times of stress, are we able to delegate, communicate with and trust our employees?

Top 10 challenges for HR and reward teams

Our qualitative research identified some of the core challenges that HR departments are facing due to organisational change. These are:

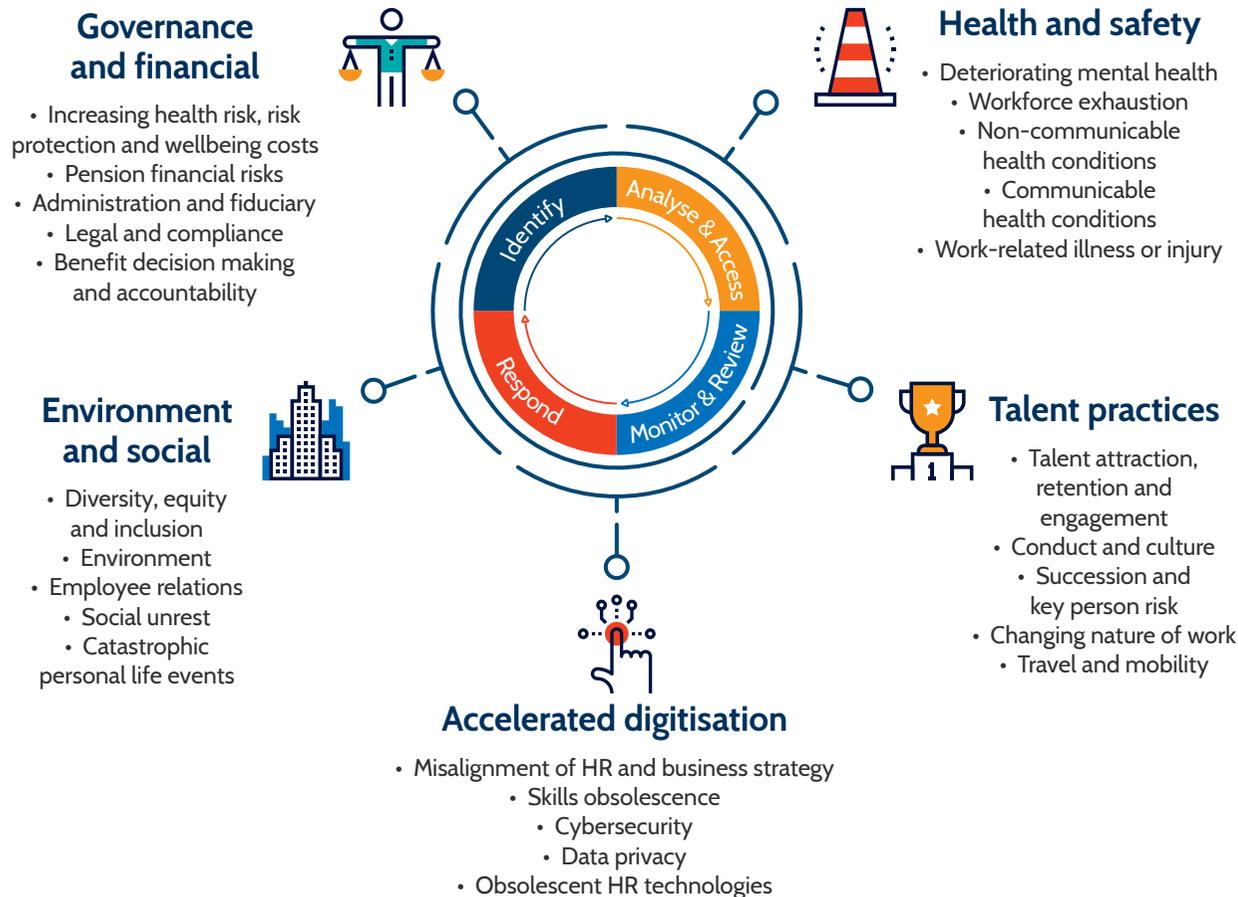
- Benefits harmonisation
- Global benchmarking
- Changing demands across countries, as well as cultural differences
- Sourcing relevant market data for new areas
- Employee and employer driven relocation
- Defining how the business will operate post-Covid-19
- New leadership
- Mergers and acquisitions
- Job architecture and managing associated pay
- Cost containment



Part 1: The drivers for changing organisational structures

Building a risk framework for mapping and managing people risk

People risks are business risks generated by your workforce and how you manage, equip and motivate your workforce.



Source: Mercer Marsh Benefits

How risk mapping can help bring critical challenges into view

As organisational structures change, a risk map analysis can help HR directors understand the new landscape of challenges across the business. This, in turn, means global benchmarking can be used to see whether reward and benefits are fit for purpose.

Hoe-Yeong Loke, Research Manager at risk association Airmic, says: "The growing popularity of insuring employee benefits, whether through pooling or the global underwriting approach, has largely been driven by risk and insurance professionals applying the tools and techniques they use in non-life areas to the life and benefits side of their organisation.

"Risk mapping the broader people risks to the organisation will be of great benefit to colleagues in HR and demonstrate the value of risk management."

Assessing the severity of risks:

- Most risks will fall into the middle of a risk map (medium to high likelihood and severity). These risks usually call for a combination of insurance and appropriate business practices that will reduce impacts.
- Very low severity risks might not justify insurance and may be managed to keep their impact on the business both minimal and predictable.



Part 1: The drivers for changing organisational structures



Claire Yule
President, Reward
and Mobility,
Wood

Case study from Wood: top tips for harmonising benefits after corporate restructure activity

Global engineering and consultancy company, Wood has a long history of acquisitions. Claire Yule, President, Reward and Mobility, shares key pieces of advice on how to make benefits harmonisation a success:

1. Understand why harmonisation of benefits is important following corporate activity

When creating a new culture and identity, you need to think about the employee experience, including elements such as pay, insured benefits and wider benefits like parental and flexible leave. If you are trying to create a 'one company' culture it makes no sense to have employees in the same team/ location etc with different offerings.

Harmonisation is a good opportunity to look at what legacy organisations have in place; consider how aligned to competitive benchmarking that is; think about where you want to position your new company, and what the associated cost will be; ask the employees what works, what doesn't and what they'd like to see; and then determine what the new offering will be. Remember that insured benefits usually take some time to switch or change and that renewal dates and vendors also need to be considered.

2. During the process, HR and reward directors need to consider and be aware of a core number of issues, including:

- The bottom line
- Commercial models (depending on the nature of your business)
- The emotional aspect attached to benefits provision – including insured benefits
- The importance of taking business leaders with you – this is a business decision, not one solely owned by HR
- Engagement, engagement, engagement – whether that be face-to-face; digitally; via social media; or through networks or focus groups
- One size does not fit all – each country will be different
- The need to update your HR policies at the same time – also, try and make them more engaging for employees and easier to read.

3. Collaboration is vital, particularly for global HRDs

The one tip to keep in mind when it comes to harmonisation of benefits is that you can do it for little to no extra cost (even if improving insured benefits) if you work with your vendors. Communication and engagement are key to achieving successful outcomes with your people, business leaders and customers.



Part 2: Digitisation and automation are remodelling talent and skills needs



45%

say increasing digitisation is a major business challenge for 2021



31%

say increasing automation is a major business challenge for 2021



50%

of HR teams plan to increase focus on efforts to retrain existing workers with new skills



50%

of HR teams plan to increase focus on efforts to recruit workers with new skills

One of the enduring legacies of Covid-19 for businesses will be greater focus on digitisation. This is shown in our report findings – 45% of respondents identified digitisation as a major business challenge for 2021.

Digitisation has been a core business priority for some time now, but its importance became clear as countries locked down, operations moved online, people began working from home and it created a sink or swim landscape. While some firms thrived, leveraging technological solutions to continue trading seamlessly, others struggled realising operating models were not agile enough to cope with the rapid shift towards online-only.

Amid the pressure to digitise and automate, firms are keen to bolster their tech credentials either by hiring in new knowledge or retraining existing employees. In our survey, several respondents highlighted cloud technology and cyber as core skills they want to boost.

We found that half of all HR teams plan to increase focus on retraining existing workers with new skills, and the same number will look to recruit workers with new skills. This is echoed across the wider business landscape. According to the World Economic Forum's *The Future of Jobs Report 2020*, 50% of all employees will need to reskill by 2025.

Among the identified Top 10 skills for 2025 are technology use, monitoring and control; technology design and programming; and reasoning, problem solving and ideation.

Automated benefits are a popular innovation

As organisations embrace digital technology and automation, there is an expectation for HR and benefits platforms to keep pace. When asked to indicate the most successful employee benefits programmes of the past two years, popular answers in our research included:



Newly-introduced or improved benefits portals or platforms



Automated or digitised benefits or pay



Improved communications around benefits

Pay isn't the only factor that boosts your ability to attract talent

Employee retention and attraction of new talent are fundamental for business success and have been identified by survey respondents as key areas of focus. In particular, HR professionals at several firms raised concerns about pay freezes, their ability to be competitive on salary and consequently their ability to remain attractive as an employer.

Of course, financial remuneration is not the only factor when it comes to talent acquisition and retention, with areas such as health and wellbeing and company culture playing a significant role. Chris Laughlin, Global Reward & HR Service Director at Abcam, says: "As organisations continue to make rapid leaps in the areas of technology and automation, one area that is sometimes undervalued is the criticality of talent as a key differentiator in corporate performance.

"Healthy, happy, engaged people are more likely to be successful and drive success for the organisations they work for. Adopting an agenda that puts care of the individual at its heart, gives people new resources and meaningful ways to maximise their wellbeing, and recognises their everyday contribution is a recipe for success."

This focus on health is reflected in our survey findings. A total of 85% said that their HR teams will step up focus on employee wellbeing in 2021 – the area of biggest increased focus. This trend is evident in their budgets too, with several health and wellbeing initiatives seeing an uptick in spend. A core consideration for many HR and reward directors is ensuring that health, fitness and wellbeing plans are geared up to dealing with an ever-increasing number of people working from home.

Part 2: Digitisation and automation are remodelling talent and skills needs



Melissa Lever,
Head of Reward
and HR Systems,
Linklaters

Case study from Linklaters: the benefits of upskilling HR to handle data analysis in-house

Melissa Lever, Head of Reward and HR Systems at global law firm Linklaters, explains why data analysis for HR is better carried out internally.

Q: Why is it advantageous for you to manage your own data?

A: The biggest advantage for us is that we know our own data and we know our own business. When you need to marry those two things up, I don't think there is any substitute for doing it yourself. If you outsource, you'll get back a range of outcomes. But you won't necessarily know what has led to those outcomes and what difference interventions will make, if any, in driving change.

If you have the means to analyse data in-house, you can take action and intervene a lot quicker. For instance, when it comes to our annual year-end process on the rewards side, our analysis can be carried out either in real time, as decisions around the world are being made, or very rapidly to be able to highlight any potential issues before those decisions are signed off.

Q. What advice can you give HR and reward directors wanting to carry out this process in-house?

A: Start small and manageable. There's a tendency to try and capture data on everything with the result you end up drowning in information. So, first decide what the problem is you are trying to solve. Then work out what action you need to take to carry out the analysis required. An important question to bear in mind, if analysis highlights a particular issue or confirms what you already suspected, is: what are you going to do now that's different from before? If you don't have an answer to that, then don't do the evaluation.

Source: REBA On Demand Innovation Series

Steps for upgrading your talent management approach

1. Look after the health and wellbeing of employees by implementing an integrated wellbeing strategy

In the short term, put in place sufficient provision of virtual healthcare and mental health benefits for your workforce. Longer-term, wellbeing strategies can look to include elements such as training managers on how to spot mental health issues early, enhancing inclusion initiatives and fostering a culture where employees always feel safe to express their opinion or speak up.

2. The race to reskill requires a fundamental shift towards integrated talent frameworks that can evolve as skill requirements change

Determine a strategic workforce plan to identify the gap between the current and required workforce.

3. Go back to basics and start with the rationale behind AI and analytics

Too much focus on what organisations can measure often distracts from the larger picture of why it is beneficial to understand certain data points. The human ability to ask the right business questions is vital here.

4. Create work environments where diverse workforces can create impact

Harnessing the strengths of diversity of thought bring the opportunity to build a brighter future for people, organisations and society.

5. Communicate with your employees – start by listening

Don't just tell them. Engage them in the changes taking place around them, and to them. Help them understand, feel involved, commit, adapt and take ownership. Use employee listening platforms to understand what employees value and measure the effectiveness of people programmes.

Source: Mercer Global Talent Trends Survey 2020/21



Part 3: The rise of responsible business



42%

say meeting environment targets is a major business challenge for 2021



41%

say increasing focus on purpose is a major business challenge for 2021



37%

say being a responsible business is a major business challenge for 2021

Demonstrating responsible business credentials and improving workplace culture are priorities for global firms. That includes everything from addressing climate change to strengthening diversity and inclusion.

Working towards net-zero emissions has become a particular focus, spurred on by increasing pressure from governments, investors and consumers. A total of 42% of our respondents said that this is a major business challenge for 2021.

This year, companies in sectors such as transport and energy will receive warnings from the UK's Investment Association if they do not comply with reporting standards set out by the Task Force for Climate-related Financial Disclosures (TCFD). The UK intends to make such disclosures mandatory by 2025. Last year, the EU, China, Japan and South Korea all made commitments to achieve net-zero emissions by 2050 and this year the US committed to rejoining the Paris Agreement.

In his highly influential 2021 annual letter to CEOs, BlackRock's Chairman and CEO, Larry Fink, highlighted the considerable risks for organisations that fail to take climate change seriously. He said: "Companies with a well-articulated long-term strategy, and a clear plan to address the transition to net zero, will distinguish themselves with their stakeholders – with customers, policymakers, employees and shareholders – by inspiring confidence that they can navigate this global transformation."

It is telling that as CEO of the one of the world's largest investment firms (that votes on executive pay on behalf of clients), Fink flags up the risk to CEOs of not taking climate change seriously. His letter continues: "Companies that are not quickly preparing themselves will see their businesses and valuations suffer, as these same stakeholders lose confidence that those companies can adapt their business models to the dramatic changes that are coming."

Responsible reward links to purpose

The pressure to become a responsible, sustainable business has knock-on effects for HR, reward and benefits directors who play an important role in ensuring that employees embody the values of an organisation. This includes putting in place responsible reward strategies, in which executive remuneration and bonuses are linked back to company purpose. Focus on purpose is identified as a major challenge for 41% of the businesses in our survey.

Other tactical areas of focus for benefits plans include examining environmental, social and governance (ESG) issues within the context of pension plans, short- and long-term incentive schemes and even savings vehicles.

ESG: the jump from investment to HR

In January 2004, former United Nations Secretary-General Kofi Annan invited more than 50 CEOs of major investment firms to participate in a joint initiative to find a way to integrate environmental, social and governance (ESG) issues into capital markets.

The resulting report, *Who Cares Wins: Connecting Financial Markets to a Changing World*, made the case for ESG in capital markets showing how it makes good business sense, leads to more sustainable markets and better outcomes for societies.

This report – along with another produced by the UNEP Finance Initiative and Freshfields Bruckhaus Deringer called *A legal framework for the integration of environmental, social and governance issues into institutional investment* – formed the backbone for the Principles for Responsible Investment launched in 2006.

More recently, employers and HR teams have started to focus on the 'S' element of ESG as there is building evidence that engaged and motivated workforces, which are treated well and have a good sense of wellbeing, lead to organisations that perform better over the long-term.



Part 3: The rise of responsible business

The ESG reality gap

Setting out organisational purpose and showcasing responsible values are top priorities for business leaders, as our research shows. However, there is a significant risk involved if employers create a mismatch between the day-to-day reality of working for a company and the external image portrayed through marketing, advertising and other communication.

From 'greenwashing', where companies falsely appear more environmentally responsible than they really are, to recruitment advertising that gives a misleading impression around diversity, organisations need to avoid paying lip service and ensure their approach is authentic and honest when describing where they are on their journey to improve their ESG credentials.

Should employees and consumers, who are more socially conscious than ever, discover organisations' statements around responsibility are not backed up by meaningful action, the risk is businesses can suffer severe reputational – and, in turn, financial – damage. Similarly, if in recruitment material employees are promised they will be joining an inclusive, diverse organisation offering equal opportunities, then discover this isn't the reality, they may quickly leave. Again, there is a risk of reputational damage, which can cause challenges for recruitment in the future.

“There's been a societal shift and there is visibility around responsible reward, which has rightly raised the bar on what colleagues expect of an organisation beyond existing as a corporate profit-making entity. As HR and reward practitioners, we have a key role to play in the advancement of the sustainability and environmental, social and governance agendas.”

Chris Laughlin, Global Reward & HR Service Director, Abcam



Tim Robertson

UK Compensation and
Benefits Lead,
Microsoft

Top considerations for linking reward and responsible values

1. Design a reward and performance management structure that aligns with culture and values. This includes ensuring consistency of objectives around key and critical topics. For example, if diversity and inclusion or sustainability are essential, then include common and mandatory objectives around these.
2. Consider whether the aim is for individual, team or unit performance and what balance needs to be achieved. Focusing too much on one or the other of these will have an important bearing on culture created.
3. Focus on the 'how', not just the 'what'. How employees achieve high performance is as critical as what they achieve. If the former is overlooked, it risks creating an internally competitive culture.

Part 3: The rise of responsible business



Chris Laughlin
Global Reward &
HR Service Director,
Abcam

Case study from Abcam: how to evolve share plans to promote responsible reward

In 2018, global life sciences company, Abcam created an opportunity for all its colleagues, whichever job they had or wherever they were based, to become shareholders in their employer through its award-winning global all-employee share plan, AbShare.

The scheme allows employees to contribute a percentage of their pay to own a part of the company, with more than 90% of colleagues now participating globally.

Chris Laughlin explains: “One thing we have been focused on in recent years is sharing the success of Abcam with all its people and moving the conversation about employee share ownership onto a different platform. AbShare aims to foster a culture of ownership, inclusion and shared success. Later this year, the plan will come to an end, and assuming that performance conditions are satisfied, will deliver on that vision. For me, the aims that underpin the creation of AbShare really resonate in the context of what it means to embody responsible reward.”

In 2021, Abcam introduced a dedicated inclusivity measure to its annual bonus plan in addition to its more traditional financial and strategic key performance indicator (KPI) metrics. “Our goal is to make Abcam a more diverse and inclusive place and reflecting that in our management incentive programme is an important step on that journey,” says Laughlin.

Rise in benefits spend on electric cars, e-bikes and e-scooters from 2020 to 2021

There are other areas where HR and reward can help achieve environmental targets. For instance, none of the organisations we surveyed plan on increasing spend on petrol or diesel car schemes, yet 17% indicate they will be increasing their employee benefits budget to include electric cars in the package.

Some HR and reward directors have already introduced a green company car plan, with several more saying it is a top priority for the year ahead. Meanwhile, cycle-to-work plans also remain popular.

17%

17% increase in spend on electric cars

14%

14% increase in spend on e-bikes and e-scooters

Zero

Zero increase on traditional company cars



Part 4: The powerful case for strengthening diversity and inclusion

Pressure on company boards to address diversity, inclusion and equality is intensifying. This year the UK's Investment Association will issue warnings to FTSE 350 companies if they do not disclose the ethnic diversity of their boards or show a credible action plan to address the issue. Meanwhile, global campaign the 30% Club announced earlier in 2021 that there were no more all-male boards in the FTSE 350.

Although legislation for Ethnicity Pay Reporting is still waiting in the wings, gender pay gap reporting is back on the radar after a one year pause due to the pandemic. The latter is particularly spurring on employers to review and act on women's progress within workforces.

Social pressure from the Black Lives Matter and #MeToo movements highlights the risks for companies that do not take equality seriously. In addition, expectations from stakeholders are that accountability for diversity and inclusion comes from the top. As such, diversity and inclusion are firmly on the boardroom agenda.

Unsurprisingly, given the external pressures, meeting diversity and inclusion targets is the top business challenge for firms, our findings show. However, many are focused on improving leave or pay for workers with caring responsibilities; specific initiatives aimed at ethnic minorities and LGBTQ+ groups are less common. In part, this may be due to a critical barrier – a lack of data around inclusion that can be used to inform and shape a diversity strategy.

Iain Barton, Head of Reward, Employee Relations and Inclusion at Aegon points out that in many organisations the difficulty is that a lot of diversity remains hidden. "We still don't know what we don't know," he says. "There is much focus on gender and there has been for some time but despite that progress in many organisations is frustratingly slow."

Iain adds that: "Most organisations' insight into other aspects of inclusion and diversity is much less sophisticated and is nowhere near as deep as it could or should be. Encouraging employees to show their trust and volunteer sensitive data and then using it effectively to inform strategy are vitally important, but that is all really difficult to do well and takes time. In the meantime, ensuring we are taking forward the right strategies is a challenge."

Seniority-based benefits a barrier to inclusivity

One survey respondent said they are planning to expand existing benefits, such as private medical insurance, to cover all employees to better serve minority groups. They realised that adopting a seniority-based policy disproportionately excluded female and ethnic minority employees, who made up a larger proportion of lower earners and junior staff.

To date, financial wellbeing has not been viewed through a diversity and inclusion lens. However, this is slowly starting to shift as awareness of the issues grow. We will delve into this in more detail in our next research report, due to be published in the summer.

59%



say meeting diversity and/or inclusive workforce targets is a major business challenge for 2021

68%



of HR teams plan to increase focus on diversity and inclusion for BAME groups

65%



of HR teams plan to increase focus on diversity and inclusion by gender

"Leaders need to be alive to the inclusion agenda for gender, race and ethnicity, and all underrepresented groups. You can't have a healthy business if you don't have a healthy society around you. We also know innovation improves when you have different life experiences and skillsets around the table. So, it's not just a moral case, there's a clear business case and leaders need to drive this change from the top."

Leena Nair, Chief Human Resources Officer, Unilever

Part 4: The powerful case for strengthening diversity and inclusion



Iain Barton
Head of Reward,
Employee Relations
and Inclusion,
Aegon

Case study from Aegon: core steps to creating an inclusive and diverse workforce

Aegon refreshed and expanded its inclusion and diversity programme during 2020. The overall programme has executive sponsorship from its chief risk officer and comprises five inclusion and diversity communities, each with their own executive advocate. These are:

- Aegon Proud Community, advocated by the chief financial officer
- Race and cultural diversity community, advocated by the chief distribution officer
- Age Community, advocated by the chief technology officer
- Women @ Aegon Community, advocated by the chief internal auditor
- Wellbeing Community, advocated by the operations and customer service director.

Iain Barton explains: “We have ensured that inclusion and diversity is firmly on the executive agenda by requiring that each member of our executive committee has a personal performance objective linked to their efforts to improve inclusion and diversity. This also ensures that executive remuneration is linked to our progress.”

Actions the business has taken at board level, include:

- Signing the Women in Finance Charter in 2019 to set a target to achieve 33% female representation in its CEO-2 population (meaning the CEO, their direct reports and their direct reports) by the end of 2021
- Supporting a commitment that all candidate shortlists for appointments to the board and CEO-2 population be at least 33% female, or conversely, at least 33% male to ensure balance
- Signing the Race at Work Charter in 2020
- Appointing an Executive Advocate for Race
- Making commitments to report on ethnicity data and progress made; ensuring zero tolerance of harassment and bullying; ensuring that all leaders and managers understand their responsibilities towards supporting equality; and taking action in support of ethnic minority career progression.

Reward and benefits to review through diversity and inclusion lens

Without careful scrutiny there is enormous potential for bias and/or discrimination to creep into pay, pensions and benefits, affecting employee groups by gender, ethnicity, disability, age, sexuality and so on. HR teams need to question assumed norms to move towards inclusion. Areas to examine include:

- Exclusions and benefits for all insurances
 - Bias in financial wellbeing needs/offerings, including pensions
- Maternity and paternity levels of pay
- Additional maternity and paternity leave
- Care provision/support (for child and elderly or disabled adults)
 - Working parent support
- Benefits for families of employees
 - Fertility support
 - Menopause support
- Language used by suppliers and internally
- Methods of media communication used
- Seniority benefits/pensions for gender/ethnicity gaps
 - Gender/ethnicity/disability pay gaps
 - Gender/ethnicity/disability benefits gaps
 - Gender/ethnicity/disability pensions gaps
 - Networking events and social committees
 - Recognition/bonus plans
- Platforms and apps design (including AI bias)
 - Regional or head office-specific benefits
- Employee assistance programme coverage
- Who is able to work from home/flexibly

Part 5: The flexible working evolution and revolution

Many employees, having worked diligently and effectively away from a central office, will now expect a greater degree of flexibility in where and when they work than they had before.

Consequently, many organisations are considering hybrid workplaces and reducing office space but in reality it may take several years for new ways of working to emerge and settle down. In the meantime expect flux and change. Questions around employee engagement, motivation and recognising the efforts of all team members in a fully inclusive manner are still on the rise.

HR teams face the challenge of redesigning employee benefits so they better fit future work models. One tactical consideration raised by several respondents was how benefits such as season travel tickets could be adapted for part-time or hybrid working, where workers might only be travelling into a workplace a few times each week or month.

Finding ways to offer health and wellbeing services that can be accessed remotely is also a priority – introducing mental health apps or platforms is the number one area in which HR directors expect to increase budgets in 2021. As homeworking leads to higher levels of isolation, stress, anxiety and depression, measures to protect the mental health of employees is of paramount importance.

Communication is also key, with several respondents highlighting that introducing or enhancing systems, platforms and portals is a big priority. This is especially true for teams that are spread globally but still need to collaborate on creative projects together.

84%



of HR teams plan to increase focus on use of flexible working (time and/or location)

Top 10 remote wellbeing benefits introduced over 2020 or planned for 2021

- Wellbeing and mental health apps
- Digital or virtual health programmes
- Online GP service
- Benefits portals / benefits digitisation
- Wellbeing portals
- Better signposting of benefits
- Providing homeworking equipment or working from home payment
- Loans for tech
- Virtual networking events
- Wellness hours (time given to employees to dedicate to their wellbeing)



Alex Sidorenko

Chief Risk Officer,
EuroChem

Case study from EuroChem: managing health and safety risks

Flexible working is also top of mind for risk managers. Alex Sidorenko, Chief Risk Officer at fertiliser manufacturer EuroChem and founder of the Risk Awareness Week event, says: “Much of the success of culture change involves the wilful adoption of risk management into people’s daily lives. At EuroChem, we have the freedom to use the full toolkit to do that, thanks to our coordinated efforts with HR.”

He identifies nine practical steps that businesses can take to manage people risk during the pandemic:

- Work from home
- Switch to online meetings
- Restrict non-essential travel
- Disinfect workplaces
- Quarantine for people returning from holidays
- Monitor people’s temperature
- Keep a small group of plant personnel at a special quarantine facility (and provide food and lodging) in case the main workforce is compromised
- Pre-emptively test for Covid-19
- Identify employees who are immune to Covid-19.

Part 5: The flexible working evolution and revolution

Globalisation is not new, but the ability to work remotely in real time with teams in any location, whether in the same country or across the globe, has seen a sharp uptick, just as business travel has seen a distinct downturn.

Increased close working between remote teams along with improved technology mean that HR teams in global organisations are under more pressure to align practices. For example, a global divisional business head won't want to liaise with a different HR director for each country that the business serves.

As well as implementing agile working, several organisations are making changes to their global mobility programmes. Here there are several competing tensions. For instance, some organisations are thinking about limiting business travel, particularly internationally, in line with environmental targets or to reduce tax and visa complexities. Relocation is top of mind for several other firms either because employees would like to relocate and work remotely, or because senior management is considering whether expensive city offices can still be justified.

An important consideration for several of the HR and reward directors in our survey is how shifting mobility practices will affect pay. One respondent said they are planning to "introduce pay zones in more countries, to pay less in remote locations than major cities." Another highlighted a big challenge as being whether to reduce pay if employees ask to work remotely from locations (within the same country) where labour costs are lower.



13% of businesses will expand into new countries



39% of HR teams will increase focus on global consistency of HR

"We've implemented a formal, agile working policy during Covid where people can spend up to 50% of their time outside of the office. Come this summer, if travel restrictions lift, people will be thinking about moving, maybe spending time abroad or in different locations.

That will lead to travel restriction, tax and regulatory issues. We're trying to get ahead of the game before we get to that, so these are aspects we need to focus on in the next months."

Melissa Lever, Head of Reward and HR Systems, Linklaters

How are global mobility practices changing?

Our survey asked HR and reward directors what big changes they expected to make to global mobility policies. Their responses fell into five main categories:

1. No changes planned.
2. Cost saving, including limiting expatriate packages and reverting to using more local talent.
3. Considering whether more remote working rather than relocation is the solution.
4. Conducting a general review of mobility.
5. Anticipating that regulatory restrictions (for example, Brexit) will impact policy more than internal strategy.



David Wreford

Partner,
Mercer

Expert view: The five facets of flexibility

According to consultancy, Mercer there are five facets of flexibility, all of which need to be considered by firms that wish to be truly agile. These are:

- 1. Who does the work?**
Contractors, permanent employees, freelancers, contractors, or automation
- 2. Where is work done?**
Is it at home, in the office, or a mixture of the two?
- 3. When is work done?**
Office hours vs working in a more flexible schedule
- 4. What work do people do?**
Is there the ability to share or exchange tasks?
- 5. How is work carried out?**
Is there the ability to change intensity of work styles depending on workload?

David Wreford, Partner at Mercer, says: "These new ways of working have knock-on effects for HR, particularly when it comes to governance. Ask the question, do we fill cupboards with policies and practices and accept that these will often miss the mark? Or do we set up a clear culture and evolve guard rails to help managers make decisions within a framework? The latter will lead to better outcomes."

Wreford adds that employers need to think about how benefits should be revised to meet the needs of all employees whether they are full-time, in the office, or contractors working from home. This means acknowledging all the different drivers of wellbeing, including job security, pay, flexibility and so forth.

Part 6: Performance management is under review

Several of the HR practitioners we spoke to agreed that achieving consistent, fair and transparent pay is top of the agenda.

Pay transparency is key and the days of job evaluation and benchmarking data being under lock and key in the desk drawers of reward and HR practitioners are on the way out. Chris Laughlin, Global Reward and HR Service Director at Abcam says there is a conversation to be had about increasing transparency around reward practices and how these connect to the employee experience.

Pay transparency also links to achieving pay equality across gender and ethnicity. Organisations such as global engineering and consultancy firm Wood are putting in place global job frameworks with role profiles and salary bands per country, to which it maps employees allowing them to focus on pay equity.

Defining the skills needed for a job role goes beyond pay concerns, however, and allows performance to be measured or employees to be recruited differently – based on specific skills, not an entire job role. This puts the focus on outputs, not inputs, and can open the way to bringing in a more diverse workforce that may not have the same experience but does have, or can learn, the necessary skills.

Areas in which HR teams will increase focus in 2021



68%

Diversity and inclusion for BAME groups



65%

Diversity and inclusion by gender



53%

Corporate cultural change



50%

Efforts to recruit new skills



50%

Efforts to retrain existing workers with new skills

Defining skills changes performance focus

How skills are measured and rewarded affects recruitment, skills development and ultimately corporate culture change and even employee wellbeing.

One challenge has been managing performance in the context of the Covid-19 pandemic. Given the current jobs market, organisations may be inclined to show empathy and compassion for employees struggling to meet performance targets.

Over the past 12 months or so, Microsoft has been thinking about this in the context of Covid-19 and how it can make reasonable adjustments and reprioritise support for employees. Tim Robertson, UK Compensation and Benefits Lead at Microsoft told us that this involved encouraging both employee and manager to consider their list of objectives and whether they remained appropriate. The role of the manager was to test whether all the priorities are reasonable or whether some can be deferred. How practical an option this is depends on the role the individual has.



59%

say meeting diversity and/or inclusive targets will be a major 2021 business challenge



37%

say being a responsible business will be a major 2021 business challenge



David Wreford

Partner,
Mercer

Expert view: A new way of thinking about performance management

Many traditional ways of approaching performance management are fundamentally flawed and can even lead to deviant behaviour. Businesses could completely break the link between pay or bonuses and individual performance.

Firms should consider a strategy where:

- pay is linked to skills
- bonuses are linked to collective performance (for example, at team or whole company level)
- individual contributions are linked to peer-to-peer recognition programmes.

This way, the faster an employee grows their skillsets the quicker their progression through an organisation is. It frees up managers to have constructive conversations with employees who are underperforming without linking that back to reward. If employers base incentives on performance at group or team level, no one will hoard work or undermine colleagues and employers will foster a culture of collaboration and cooperation.

About the survey

This survey had 123 responses from employers representing an estimated collective total of more than 700,000 employees. It took place online during January 2021 and was conducted by the Reward & Employee Benefits Association among its c2,400 Professional Members and c8,500 subscribers.

How many UK-based staff does your organisation employ?

20,000+ employees.....	5.7%	250-499 employees.....	5.7%
10,000-19,999 employees.....	8.9%	100-249 employees.....	5.7%
5,000-9,999 employees.....	14.6%	50-99 employees.....	3.3%
1,000-4,999 employees.....	34.1%	1-49 employees.....	3.3%
500-999 employees.....	18.7%		

What is your organisation's industry sector?

Media, Technology & Telecommunications.....	16.3%	Transport & Logistics.....	4.9%
Professional Services.....	13.8%	Utilities & Energy.....	4.1%
Financial Services.....	13.8%	Health & Pharmaceuticals.....	4.1%
Public sector.....	9.8%	Mining, Oil & Gas.....	3.3%
Manufacturing & Production.....	9.8%	Leisure & Travel.....	3.3%
Not-for-profit sector.....	5.7%	Engineering & Construction.....	3.3%
Retail.....	4.9%	Other (please specify).....	3.3%

Thank you to our respondents:

2 Sisters Good Group, ACCA, Advanced Supply Chain Group, AECOM, AGS Airports, AIG, Air Products, Airbus, AirTanker, Allen & Overy LLP, Anglian Water Services, Ashurst, Aster Group, ATS Euromaster, Babcock Marine & Technology, Baker Hughes, BFI, Blue Prism, Bombardier Transportation, BP, British Sugar, Browne Jacobson LLP, Bruntswood, Cabinet Office, Capital One, CDK, Checkout.com, Civil Service, Computershare, ConvaTec, Covance, Cushman & Wakefield, Danone, Direct Line Group, Doosan Babcock, Dunelm, easyJet, EMCOR UK, Encirc, ENGIE, Epson, Ferguson Group Services, FirstGroup, FIS, Flutter Entertainment, Gap Partnership, Greencore, Hartley, Hastings Direct, Hitachi Europe, IKEA, Insightful Environments, International Personal Finance, ITN, John Lewis Partnership, Landsec, Lazard, Leidos, Link Group, Macfarlanes, Manchester United, Medicines and Healthcare products Regulatory Agency, Milestones Trust, Molson Coors Beverage Company, NatWest Group, New Look Retailers, NHSBSA, NM Rothschild & Sons, Nottingham City Council, NTT DATA UK, Ocado, Ocean Housing Group, Orange Business Services, Ordnance Survey, Palletways, Philips, PPB, QA, RBWM, ResMed, RGP, Rothschild & Co, RS Components, Ruffer LLP, SAGE, Santander, Save the Children, Scottish Courts & Tribunal Services, Secure Trust Bank Group, SEE Reward, Shell, Skanska UK, Snow Software, Speciality Steel UK, Springernature, Stanley Black Decker, Systemiq Earth, Taylor Wessing, Tenable, The Capital Group, Thomson Reuters, Trinity College London, UCB, United Utilities, University of Salford, VetCT, Victrex, VMware, Volkswagen Financial Services (UK), Webhelp, Wessex Water, West Sussex County Council, Withers, Wood, World Fuel Services, Wycliffe UK, Wyndham Hotels & Resorts, Yeo Valley, Yusen Logistics, Zebra.

About us

Reward & Employee Benefits Association

REBA is the professional networking community for reward and benefits practitioners.

We make members' working lives easier by saving them time, money and effort through sharing experience, ideas, data and insight with each other.

We help members to pursue best practice, increase professionalism in the industry and prepare for upcoming changes. REBA also lobbies government on members' behalf.

What REBA does:

- Runs regular conferences and networking events, both face-to-face and virtually through webinars and online platforms
- Supports the reward and benefits community through its rebaLINK peer-to-peer networking platform
- Produces benchmarking research, insight & data reports, and analysis on key reward and benefits themes
- Curates an industry-wide research library of reports, government consultations and best-practice guides
- Creates, curates and distributes online content for the reward and benefits community, including industry insights into best practice, case studies and thought leadership
- Delivers focused content to our membership through daily emails and social media channels
- Supports professional members with supplier shortlisting and research.

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reba

Reward & Employee
Benefits Association

Mercer Marsh Benefits

At Mercer Marsh Benefits, we provide a range of solutions to help you manage people risk, including:

- Brokerage of core employee benefits as well as expatriate and special risks like business travel accident.
- Advice and support for health and wellbeing, plan member communications, and benefit plan financing.
- Digital solutions to engage plan members in their health and benefits.

Mercer Marsh Benefits provides clients with a single source for managing the costs, people risks, and complexities of employee benefits. The network is a combination of Mercer and Marsh local offices around the world, plus country correspondents who have been selected based on specific criteria. Our benefits professionals serve clients in more than 150 countries and are deeply knowledgeable about their local markets. Through our locally established businesses, we have a unique common platform which allows us to serve clients with global consistency and locally unique solutions.

Website: www.uk.mercer.com

Twitter: [@UKMercer](https://twitter.com/UKMercer)

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