

Transforming Engagement Series: Report Three

Technology change is business change

reba

Reward & Employee
Benefits Association

PURSUING BEST PRACTICE

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Intro: Technology transformation requires heightened focus on your people strategy



Debi O'Donovan

Director of REBA,
Reward & Employee Benefits
Association (REBA)

✉ debi.odonovan@reba.global



The Covid-19 pandemic is the catalyst to rapidly accelerating digital and technological changes that we have seen emerging during the ongoing fourth industrial revolution. During 2020 and 2021 we reached a tipping point of organisations being swiftly spilled into a new order whereby the digital workplace dominates. Technology and digital tools permeate virtually all job roles and sectors, from using online services, handheld devices and artificial intelligence to video meetings, robots and collaboration tools.

CEOs and chief human resources officers (CHROs) are aware that, in the aftermath of this crisis, a mindset of returning to how things used to be will not feed business resilience and, in turn, growth. Over half of the employers responding to our research are expecting their organisations to undergo significant organisational transformation. This means that business leaders and HR teams need to be open to new and experimental ways of thinking in order to build sustainable organisations fit for the future.

At the heart of this will be the workforce. Processes and systems will not be the winning factor for organisations. Success rests on the manner in which people deliver processes and systems. That means a firm's digital strategy and people strategy have to be aligned.

The majority of employers in this report have ambitions for extensive digital transformation. More than half have already brought in key talent to drive change, with 41% still planning to do so over the next couple of years, or longer.

These huge shifts put pressure on pay, meaning the job market for high-demand skills is hotting up. Employers are also more keen than ever to hold onto people prepared to adapt quickly and transform their current skills to meet new digital needs.

However, HR teams are aware that pay alone is a blunt instrument. It is a broader and empathetic employee experience that will attract, retain and engage talent. This report shows that organisations with higher employee engagement levels are more likely to reward worker outputs (such as delivery) than inputs (such as hours worked), while forward thinking employers are moving away from traditional workspaces to creating spaces that put collaboration, non-siloed working and good communication at their heart.

Employee benefits, work design and new ways of working are increasingly being reshaped to match the emerging needs of both employers and employees. The focus is on creating cultures that engage employees, look after hard-won talent and genuinely care for the wellbeing of people. Use of digital tools to deliver benefits and reward and communication is an important way to achieve this.

The pandemic exposed cracks in our ways of working and fast tracked the use of digital technology. So now really is the time to rethink our reward practices and focus more on our people to thrive in this environment and beyond.

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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
Published in July 2021.

Report 3: Technology change is business change
Published in November 2021.

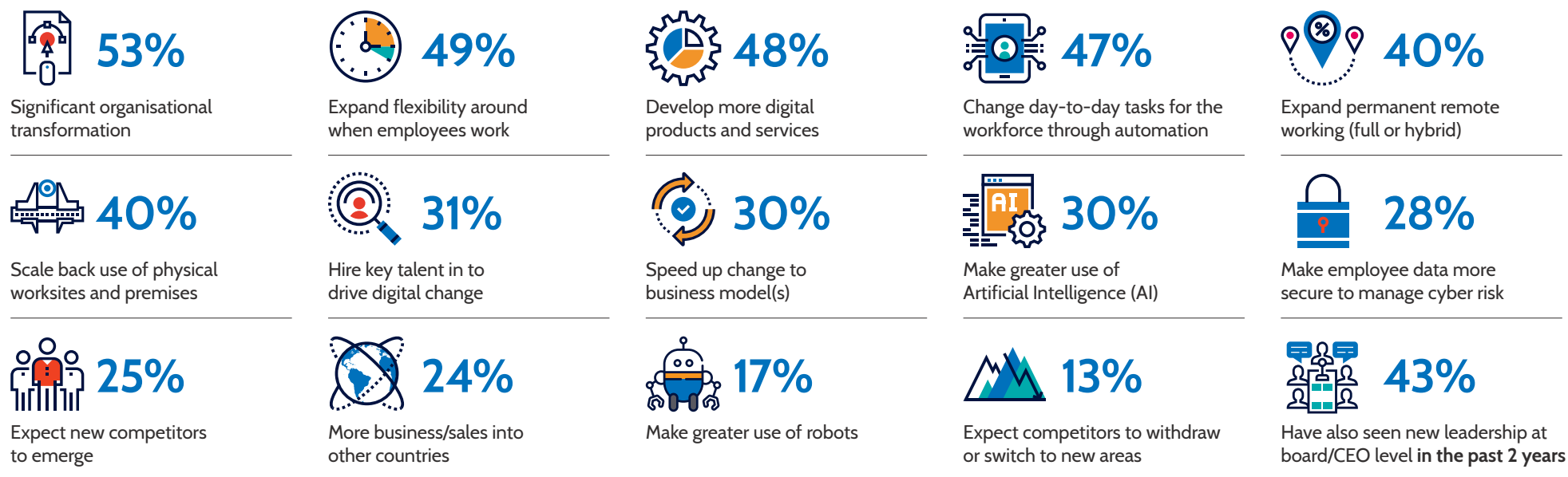
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Overview: Designing a human workforce ready for tomorrow's tech

Organisations are focused on embracing change and evolving their businesses through digitalisation, technology and data analytics. To do that in the most sustainable and effective way, they must acquire new, high-demand skills and look after their people once they have acquired those skills.

This final part of our three-part series shows how businesses are transitioning to a future that sees humans, tech and machines increasingly working side by side. It explores the innovation and creativity that can develop as a result of such a powerful combination, but also the care and investment that needs to be applied to the people element to ensure the workforce is fully prepared for change, not harmed by it.

Data at a glance: How digital technology and automation will transform business models and operations over the next two years



The digital transformation of business has been accelerated by the pandemic. There is now a sharpened focus on the need for rapid change as a reaction to new business contexts and, as we embrace the fourth industrial revolution, a greater emphasis on sustainability.

Our survey data indicates that organisations are already making radical changes and are keen to make further headway in the next two years. To do so, they must become fitter, stronger and more resilient for the long-term whether or not conditions stabilise.

Many organisations are currently busy planning, formulating new strategies, and drawing up business cases for new models of work.



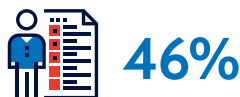
Data at a glance: The impact of tech and digitisation on people issues over the next two years

Businesses recognise that a shift in outlook and direction must be supported by a rethink of how workforce needs are met. Enhancing the welfare and productivity of employees are urgent priorities, with organisations honing in on culture, benefits programmes and investment in skills/reskilling to achieve their goals. Reskilling is seen by executives as the talent initiative most likely to deliver ROI.¹

Talent and skills



Increase upskilling/reskilling for employees



Recruit for newly required skills



Measure performance on outputs not inputs

Pay and benefits



Align benefits offering to reflect changing needs



Increase use of data analytics to inform benefits strategy



Improve the employee user experience so it's consumer grade



Make benefits offering more digital

Culture

HR will increase focus on:



Making the organisation a 'great place to work'



Wellbeing to drive culture



Employees' digital wellbeing

The power of engagement

Organisations that report above average levels of engagement* are more likely to:

- Increase upskilling/reskilling for existing employees
- Measure performances on outputs not inputs
- Use digital tools to improve connectivity
- Switch to permanent use of remote/flexible or fluid working
- Focus on creating connections and community
- Place effort into making their organisation a 'great place to work'
- Use data analytics to shape benefits strategy
- Make benefits offerings and delivery more digital.

*Analysis is based on self-reported levels of engagement
Source: REBA

Processes and systems alone won't be the winning factor for organisations – it's people who execute and apply them to gain competitive advantage. That means a firm's digital strategy and people strategy have to be aligned. Organisations are making fast progress towards this by mobilising skills, making the ways they offer and deliver benefits programmes work harder to enhance the employee experience and addressing cultural issues, such as wellbeing. Employee engagement and diversity, equality and inclusion (DEI) are key factors that underpin all of these strands. Without an engaged workforce, businesses will be unable to capitalise on the urgent need to adapt and introduce lasting change.

¹ Win with empathy – Global Talent Trends 2020-2021, Mercer

Influencer views



“The rate of change is exponential. The imperative to be prepared and be at the cutting edge of skills is key because that’s where our new innovation will lie. I think that there is a continual pressure to move.”

Ian Peart

Head of Human Resources UK, Michelin



“We’ve all experienced the rapid change that the latest pandemic has enforced upon us. The need for flexibility comes from the business and from our employees, so we have an agile methodology. As a business, we’ve been really trying to stretch the boundaries to understand what it is we can do to help facilitate a much more flexible organisation.”

Nicola Wells

Global Reward Director, Unilever



“Our people are overloaded with email, notifications and new initiatives. First off, we need to literally stop doing things and streamline the volume of initiatives. Second, we can’t just send out emails and expect someone to jump on a new idea or business plan. We have to listen, understand, put ourselves in the shoes of that person and take an empathetic approach. So, it’s time to rethink how work gets done. We can redesign our work by leveraging technology smartly and increasing the flexibility of how people work. This allows us to ‘flow talent to work’ and means the organisation can respond more effectively to areas of emerging business demand or market shocks.”

Lisa Lyons

Partner, Head of Workforce Transformation UK, Mercer



Part 1: An unparalleled pace of change

Digital transformation has boosted efficiency, allowed businesses to access new channels, markets and suppliers from all over the globe, strengthened competitiveness and innovation, fuelled readiness to disrupt/reinvent, increased capacity to respond to fast moving consumer demand and employee needs, and helped build closer connections with stakeholders and communities in society.

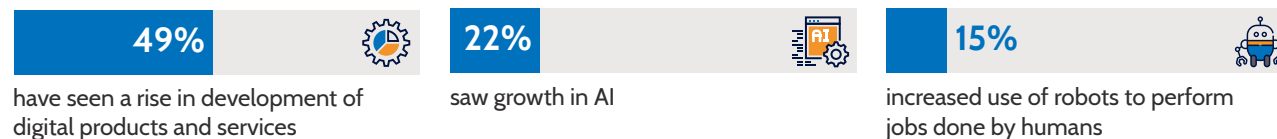
However, that progress has coincided with turbulent, complex shifts in the business environment as a result of geopolitical issues such as Brexit, financial crises, natural disasters, commodity price volatility and now the global health emergency triggered by Covid-19.

Businesses are increasingly realising there is no longer a normal; that in the aftermath of a crisis, a mindset of returning to how things used to be is not going to feed resilience and, in turn, growth.

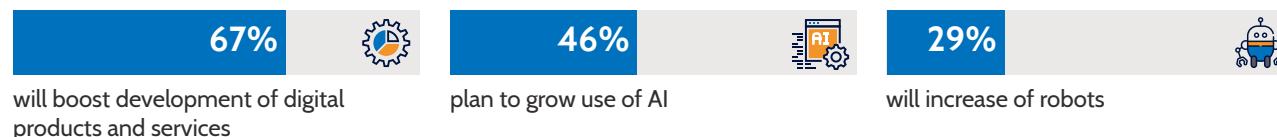
Focusing on your home territory – your people, how they do their jobs and how the organisation is run – is one of the critical ways leaders can understand and respond to the economic uncertainty that characterises this era.

Changes sparked by the acceleration of digital technology and automation:

In the past two years:



Plans for next two years or more:



“Coming out of the pandemic we are absolutely embracing new ways of working. We are looking at what elements we need to retain based on what we learned in the past 18 months, and also what we need to do to accelerate the journey we started as we were prompted to work from home.”

Ian Peart

Head of Human Resources UK,
Michelin



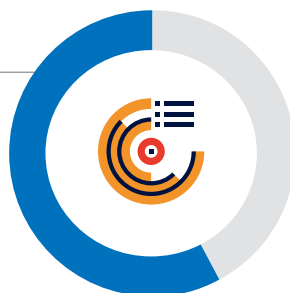
Part 1: An unparalleled pace of change

Increasing evidence-based practice

Tech has transformed business decision making processes, helping people refine and interpret quantities of data we don't have the power to do alone. It's increasingly important that data and analytics inform critical decisions that organisations face as they adapt and remodel.

Tapping into people data to gauge trends, behaviours and the impact of technological change on working practices, business models and job responsibilities allows organisations to set strategy then link them to business results. Such insight is also needed to understand problem areas and risks in the workforce, so targeted solutions around HR (fair pay, recruitment, learning and development, diversity) and employee benefits can be developed as the pace of change accelerates.

58%



say they will expand use of data analytics to map out their benefits strategies in the next two years

Fastest growing analytics questions (2019-2020)

- To what extent are there pay inequities by gender and race/ethnicity?
- Why is one team high performing and another struggling?
- How are our total rewards programmes being utilised by our employees?
- How can data-driven insights help us understand and manage healthcare spend globally?
- How can we correct inequities and prevent them from re-emerging (pay modelling)?

Source: Mercer



David Dodd

Partner,
Mercer Marsh
Benefits

How to use data to align culture and performance with constant change

1. **Understand its potential.** Data is the measure and proof point that things are working.
2. **Investigate what data you have available**, where it's held and how you can access it. Rich sources include your HR, payroll and benefits platforms plus benefit providers.
3. **Review your strategy.** Data can only prove your strategy is working if you know what the strategy actually is. Working backwards from that point will tell you what data is truly useful and where the focus of data analysis needs to be.
4. **Start to piece together the bigger picture.** Your organisation's Employee Value Proposition (EVP) is what characterises your organisation as exceptional or unique in the eyes of the people who work for you. It's also an important marker of culture. Using data to understand and assess each component of your EVP – including pay, recognition and reward, benefits, training, career development and work environment – will offer clear evidence of how strong or weak your EVP is and whether it meets your current and future strategic objectives. Crucially, data will also highlight whether the level of spend in each area is realising the results desired and where adjustments need to be made to maximise ROI.
5. **Be ethical.** AI driven recommendations need to be validated by humans so unhealthy biases are weeded out. For example, performance data related to flexible working may hide mental health issues or potential for burnout.
6. **Take action.** Benefits data will give you insight into the state of your workforce and areas in which it needs more support. On its own it won't change anything. It's up to the C-suite to take decisions that will bring about change and improvement.

Part 1: An unparalleled pace of change



Alison Rumsey
CHRO,
Associated British
Ports

Case study from Associated British Ports: Four ways to maximise workforce gains from tech use

Like lots of infrastructure businesses, technology has transformed many of ABP's main business areas. The first of these is safety, which is a core value for our organisation given the operational nature of our business. Using tech to support that is critical. Examples include trialling wearable safety devices that alert colleagues if there is a danger ahead, the use of drones for inspections, and the use of virtual reality to train people in a safe environment.

Second is efficiency, providing staff with mobile devices on the quayside to make their jobs easier and equip them with more information to improve their ways of working.

Third is communication. Tech has opened up many more channels on a range of devices, such as websites, company portals, Yammer and email, in which we can stay in touch with customers and employees. It's made communication more sophisticated, so people have more choice about the method and device they can use to access company information. Using these channels effectively so that employees are kept up to date and have the opportunity to raise concerns is vital.

However, we can't race ahead and adopt new technology without first laying the groundwork with our people. If they aren't prepared with the right skills and mindset, any benefits of new ways of working are lost. To help our employees understand what we are trying to achieve and why, as well as alleviate some of the fear around work-based technology, we provide training and try to draw comparisons with how technology has changed ordinary everyday activities, such as online shopping. It can help feel tech feel more familiar and less intimidating.

Below are some principles for HR to ensure the workforce is ready:

1. Expand training and upskilling for technology at all levels of your organisation, so you are catering for novices right through to tech specialists.
2. Implement technological change at a pace your people are comfortable with.
3. Use technology 'champions' or advocates within your organisation to raise awareness about its uses, showcase its benefits, as well as demonstrate how to apply it.
4. Be experimental and curious. Put in place trials and be open to trying new programmes to test what works best for your business.



Part 2: Tech is shifting operational and resourcing needs

The fourth industrial revolution is about speed and change. It has severely disrupted conventional business models and opened up competition in unpredictable ways. Our data reveals that 76% of employers have already seen new competitors emerge in their industry or think they will face new rivals in the next two years or more.

How has the increased use of digital technology and automation changed your organisation?



42% expect to see their business models change in the next two years and beyond

The pandemic proved that businesses are agile enough to turn operations and business models on their head at lightning speed. Wine, beer and spirits companies shifted production to hand sanitiser; dine in restaurants became takeaways; and retailers like Ikea ramped up their digital strategy by expanding click and collect and delivery services.

The rapid swap to homeworking was largely successful too. While tech undoubtedly enabled this change to take place at speed, processes alone cannot do this, it takes people to execute them.

Without considering the ripple effects of embracing technology on people and workforce-related issues, the advantages of investing into tech will diminish and opportunities to enhance competitiveness will be lost.

Lack of skills and talent threaten transition to tech-enabled businesses

People not processes is the resource that can propel transformation and innovation



41% need to bring in key talent to drive digital change in the next two years or more



46% plan to increase recruitment of employees with newly required skills in response to growing digital tech and automation

Meanwhile, machines are doing jobs humans used to do



38% of employers report that digital technology and automation have changed day-to-day tasks or processes for a significant portion of the workforce



47% say this change will happen in the next two years

Our survey shows that a majority of employers have ambitions for extensive digital transformation in the next two years or more. More than half have brought key talent into the business to drive that change and another 41% plan to do so in the next two years or more.

Alongside that is a gradual shift in the division of labour between machines and humans, which organisations report is altering the nature of day-to-day tasks and processes for their workforces.

These trends signal the extent to which technology is reshaping skills and talent needs, an issue we explored in the first report, *People risk: why the need for change is urgent*.


It has wide ranging strategy implications for the C-suite – mapping out, sourcing and mobilising the skills and capabilities required to power digital transformation (via new processes, work structures and job design) are pressing priorities. For example, social, emotional and enhanced cognitive skills will be in greater demand as automation takes out the need for more basic manual skills.


Gartner highlights that the pandemic has “fast-forwarded digital adoption by five years”.² Yet, it also warns, most companies are still “flying ‘data-blind’ with regards to the skills they need for transformation” or when it comes to the supply, demand, availability and location of those skills. In a survey of its own, it found that 53% of organisations said they couldn’t identify the skills they most needed, threatening the tech agenda and potentially leaving the workforce ill-prepared to cope with future change.


² *Lack of skills threatens digital transformation*, Gartner, July 2020

Part 2: Tech is shifting operational and resourcing needs

The skills dilemma – key questions to ask yourself

 **1** Is your company able to assess the impact of automation and identify new work that is emerging to achieve the optimal combination of humans and machines?

 **2** Is your company tracking the supply and demand of skills externally and considering the value of skills in your workforce planning and rewards decisions?

 **3** Is the approach you've taken for skills allowing you to tap into universal skills taxonomies and technologies set up to help?

Source: Mercer

Tips for hiring for the digital revolution

1. Future proof your business by focusing on upskilling and recruiting lifelong learners who have a talent for continually learning and acquiring new skills.
2. Seek out core work-related skills such as complex problem solving, active learning and cognitive flexibility.
3. Curiosity, creativity and collaboration are vital soft skills to acquire because they feed into a high-performing culture and workforce engagement.
4. Consider using digital technologies like virtual reality simulations or gaming tools in the interview process to get first-hand insight into how candidates deal with unfamiliar situations or take in new information to troubleshoot problems.

Source: Mercer

Top 10 skills for 2025

The World Economic Forum's *Future of Jobs Report 2020* lists the following as relevant skills for the jobs of tomorrow:

1. Analytical thinking and innovation
2. Active learning and learning strategies
3. Complex problem solving
4. Critical thinking and analysis
5. Creativity, originality and initiative
6. Leadership and social influence
7. Technology use, monitoring and control
8. Technology design and programming
9. Resilience, stress tolerance and flexibility
10. Reasoning and generating ideas

Leaders and CHROs need to plan ahead

World Economic Forum data shows that:

- Product development and data and AI skills will take 2 to 3 months to learn
- Cloud computing and engineering skills will take 4 to 5 months to learn.



Part 2: Tech is shifting operational and resourcing needs

The requirement for values-based leadership

Digital transformation sparks change at all levels of the organisation, including at executive level.

Having the right leader in place increases the likelihood of such a radical overhaul in strategy being a success because they have a pivotal role in promoting a digital culture.

Research³ shows that digitally savvy leaders are those that are technically minded but still people oriented, can unlock collaboration and forge relationships with multiple and dispersed stakeholders, deal with fast and complex problems and be clear communicators, conveying the right message using the most appropriate means.

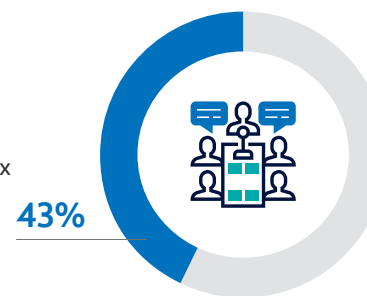
There is an additional dimension that chief executives need to be mindful of – they must lead ethically and purposefully. A report from MIT Sloan Management Review, *Leadership's Digital Transformation: Leading Purposefully in an Era of Context Collapse* surveyed employees and CEOs in more than 20 industries. It found that senior managers' focus on greater agility and efficiency – which are key benefits of digital transformation – needs to reflect the values, concerns and purpose of employees, inclusion being a key example. Failing to do so undermines the change process because of the disconnect that arises between culture and strategy.

Reimagining workforce planning

Businesses are reviewing where, when and how their employees work. Undoubtedly, this has been spurred by the rise in homeworking enforced by the pandemic but the effects of automation and tech have also played a large part in spearheading more flexible job design.

Varying hours or days worked means employers can more easily allocate human resources to match business demand and continually make adjustments in response to advancing digitisation and the introduction of new models. This increases efficiency, productivity and workforce engagement while also minimising absence rates.

³ *The Role of Leadership in a Digitalized World: A Review*, Cortellazzo L et al. Frontiers in Psychology, 2019



43% have seen new leadership at board or CEO level in the past two years



63% have permanently increased their use of remote working for a significant portion of the workforce over the past two years. 40% expect to make this change in the next two years.



48% have stepped up the use of flexible or fluid working – moving away from routine 9am to 5pm working – in the past two years. A further 49% plan to follow suit in the next two years.



Part 2: Tech is shifting operational and resourcing needs

To be aligned with newer working practices, employers will need to rethink how they measure productivity and performance, moving away from the traditional approach of monitoring physical presence or counting hours. Our survey indicates there's some catching up to do here. Only two fifths (40%) of organisations report that they measure employees on outputs – work produced – rather than inputs, while 22% plan to implement this change in the next two years.

Increased use of digital platforms or tools to measure performance is also still yet to really take off, although almost half (46%) of respondents say they are planning to ramp up tech in this area in the next two years and beyond.

Interestingly, in both these areas trends are different when analysed by engagement levels. Businesses that enjoy higher levels of engagement are more likely to have implemented systems that measure outputs not inputs, and apply tech to the measurement and management of employee performance.

As the evidence base around remote working has expanded a more accurate picture is emerging of its benefits and risks. Of particular concern are indicators showing that homeworking may be harmful for collaboration.⁴ Since joint working and information sharing are essential ingredients of a digitally focused workplace, this is an issue CHROs will have to actively monitor and form a strategy to counter.

Part of that will involve a new vision for workspaces. Employers welcoming staff back to the office as Covid restrictions ease while also moving to a hybrid flexible working model will stall if they apply old thinking or assume it's a 'return to normal'. Forward thinking businesses are creating spaces that put collaboration, non-siloed working and good communication at their heart, particularly addressing the challenge of having teams with a mix of work and home-based staff.

To add to that, our survey indicates the C-suite has its sights set on reducing office space in the medium term. A considerable portion, 41%, said they scaled back use of physical worksites, premises or offices in the past two years and 40% expect to downsize in the next two years.

It's an opportunity to save on leasing costs and review location and office set up. For example, short lease workspaces could complement a more permanent hub. CHROs will have to think hard about skills availability in the event of a relocation, as well as the blend of site-based and remote working that will optimise performance.



plan to measure employees on work delivered rather than the hours they put in, within the next two years



of employers plan to reduce workspace in the next two years



Lisa Lyons

Partner, Head of Workforce Transformation UK, Mercer

“Employers are rethinking models of employment. We are shifting from a unit of work being a job to a series of activities and skills required. Organisations are breaking down what their work is then reorganising it more flexibly. A great example is where one company has created its own ‘flexible talent pool,’ where contractors and employees can access a variety of projects based on business demand. All members of the talent pool are given benefits, a guaranteed level of income and then paid per project. This kind of initiative is connecting with how a proportion of our workforce will want and plan to work in the future.”



⁴ *The effects of remote work on collaboration among information workers*, Yang L et al. Nature Human Behaviour, 2021

Part 3: A reboot of the work experience

The breakneck speed of change, which has now hit full throttle because of the pandemic, has led to calls of a 'reset' or 'reboot' of society. That theme has been strongly echoed in the business community too, focused on renewing the relationship with the workforce so it's capable of delivering the digital changes employers require.

McKinsey research identified CHROs as wanting to get "back to human."⁵ This message is played out in our findings too, as employers aim to invest in the needs of its work base not just to boost performance but also demonstrate they are responsible organisations that create purposeful work, promote wellbeing and are supportive of the need for people to make sense of the ongoing instability.

In other words, employers are transforming their own models and delivery but also calibrating them with the employer offer and employee experience, so their people are prepared for changes ahead.

Are benefits keeping pace with current needs and expectations?

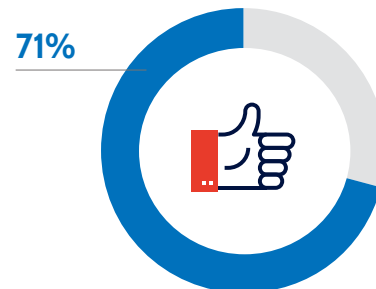
Employers reporting above average levels of engagement are more likely to be changing their benefits offerings to become more digital in the next two years than those reporting below average levels of employee engagement (54% versus 39%).

Digitisation is triggering an overhaul of employee benefits as businesses endeavour to keep them relevant to employees now working in new and different ways.

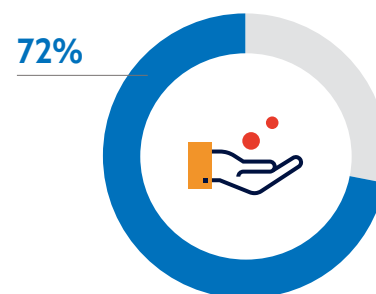
"The impact of Covid, which has seen homeworking become much more common, has advanced benefits changes and brought forward what was probably on employers' to-do lists in the next three to five years, to right now," says David Dodd, Partner, Mercer Marsh Benefits.

"We know that organisations can no longer be reliant on office-based type benefits and that they need to offer greater personalisation. That shift needs to come quickly. Dynamic employers that make these changes will win the day in terms of creating a standout employee experience that then attracts the talent they need to stay ahead of advancing tech and digitisation."

⁵ 'Back to human': Why HR leaders want to focus on people again, McKinsey, June 2021



of employers have increased focus on making their organisation a 'great place to work' in the past two years



plan to change benefits over the next two years and beyond to meet new needs that have arisen due to the changing nature of work

How are benefits changing and what are some of the challenges to solve?

- Half (49%) of organisations plan to make their benefits offering more digital in the next two years. Digitally enabled benefits, such as in healthcare and wellbeing, are becoming popular since they can be accessed from any location and are therefore more convenient. The pandemic has normalised accessing health advice online rather than in-person. Examples of such benefits are provision of virtual GPs or mental health apps.
- Gym memberships have lost favour because they are location based and less relevant to a workforce working from home. Benefits need to be tailored so they are relevant to employees' own local area.
- Location-based benefits are still crucial for parts of the workforce that are unable to work from home, or prefer not to. CHROs will need to reimagine these in order to enhance the workplace experience and boost collaboration and social connectivity.
- Season ticket loans for travel into work are no longer as viable as staff move to a mix of homeworking and office working. Making commuting costs reasonable for employees based in the office much less frequently remains a conundrum. Some employers are exploring options that allow staff to change their hours, so they are travelling to and from the office at off-peak times when it's cheaper, for example, working 11am to 7pm.



Part 3: A reboot of the work experience

The user experience is still an underdeveloped area of benefits and reward programmes. While tech has long revolutionised how we manage routine tasks like banking or shopping in our personal lives, making them simple and effortless, that's not been replicated across certain aspects of our work life.



27%

say the employee digital experience of their benefits offering is on a par with the quality of the consumer user experience



56%

expect to make improvements in the next two years so the employee experience matches the consumer-level experience



40%

of organisations say they will incorporate digital or AI technology into benefits delivery in the next two years

"The pandemic further raised the quality of the consumer grade digital user experience because accessing services online became a necessity," says David Dodd, Partner, Mercer Marsh Benefits.

"That has only served to deepen the gap between the user experience when accessing benefits and user experience we are accustomed to in our day-to-day lives. Bridging that gap needs to be higher priority now."

Introducing more automation into reward processes will propel that agenda forward, so benefits platforms and policies are made more efficient and fed into other parts of the reward ecosystem, including HR, payroll and benefits providers. "If all those are seamlessly connected it means an individual engaging with the benefits platform can have a single-touch experience. So, any change they make should automatically alter or update in real time the other areas that are affected, such as payroll," explains Dodd.

Benefits a key lever for influencing positive culture

51%



say they will invest more in employee benefits (per employee) over the next two years

Top reasons employers cite for boosting investment in benefits:

1. Support wellbeing strategy
2. To benchmark or remain competitive
3. Attract and retain talent
4. Support diversity, equality and inclusion strategy
5. Support new ways of working e.g. flexible working
6. Support environmental goals
7. Support digitisation strategy.

Employers raising their benefits budget are doing so to be competitive at a time of scarce talent and to tailor the employee experience, so it addresses staff needs and aspirations.

Wellbeing is the keystone component of building an invigorated, empowered workforce, particularly post-Covid.

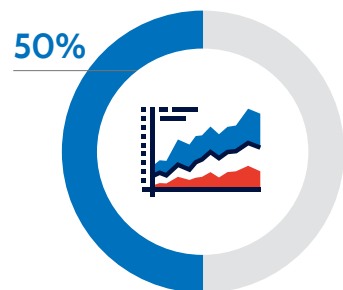
Employers also want to support staff in their choices around where and when to work and their commitment to sustainability and the green agenda.

Diversity, equality and inclusion (DEI) is a stated priority for boards. Our second report in the Transforming Engagement series, *Aligning corporate culture and human values* showed it's a critical issue for 74% of senior managers. However, data from this survey reveals a lag between intention and action – using benefits strategies to progress the DEI agenda is not as common as we might have anticipated. It's evidence that businesses are still not holding themselves to account to DEI goals across every strand of their organisation. Neither are they tying together all the threads of the employee experience to get a multidimensional perspective. For example, DEI is not divorced from wellbeing, which employers say is their top priority. A workforce that excludes certain groups or people, ignores discriminatory behaviours (either overt or through microaggression) and shows no commitment to fairness isn't likely to be one where wellbeing levels are high.



Part 3: A reboot of the work experience

Compensation strategies reflect market demand for skills



of employers expect to offer above inflation pay awards (2.5% as of July 2021) to some or all staff between now and August 2022

Top three factors driving higher pay



76%

Retain specific high-demand specialist skills



57%

Recruit specific high-demand specialist skills



56%

Retain people across the organisations to address general staff shortages

Level of increases employers are willing to pay



To address general staff shortages, almost 9 in 10 plan for rises of between 2.5% and 4.99%.



When it comes to high demand skills employers are prepared to pay a much higher labour market premium. While 42% plan to offer rises of between 5% and 9.99%, almost one in five expect to offer increases of between 10% and 14.99%. Almost one in 10 anticipate paying in excess of 20%.

Pay trends are responding to both short-term and long-term skills shortages and employers' urgent need to recruit and retain expertise.

A 2021 report from WorldSkills UK called *Disconnected: Exploring the digital skills gap* highlights that there is near-universal demand for basic digital skills (they are now considered as essential as literacy and numeracy), but the need for advanced digital skills has also exploded. Three in five employers anticipate that their reliance on higher level digital skills (for example, coding, data analysis and website design) will increase in the next five years. This need is pervasive, so across all industries not just IT.



Part 3: A reboot of the work experience



Lisa Lyons
Partner, Head
of Workforce
Transformation UK,
Mercer

Pay for skills, not performance

Technology, and the data it can generate, has enabled businesses to use reward in a different way. In this model, we can move to a skills-based workforce, ensuring the right capabilities are in place as needed. It's a more agile practice that allows employers to respond to talent scarcity or when there's a rapid change in skills needs. Pay-for-skills is an approach still in its infancy, however, with only 14% of businesses planning to implement it this year.⁶

How does it work?

1. 'Anchor pay' is put in place to insulate employees against volatility and ensure fair pay.
2. This is supplemented by uplifts that depend on the specific skills a person has.
3. The pay given for different skills is based on market information, which will change as demand for certain skills diminishes or grows.
4. Organisations will require skills libraries or taxonomies rather than job catalogues. These describe and document all the skills an organisation needs; they are a deeper look at what is 'inside' job roles. It means as jobs roles adjust, organisations can keep pace with skills needs.

⁶ Win with empathy – Global Talent Trends 2020-2021, Mercer

The effects of Brexit and Covid on wider skills shortages cannot be ignored and are heavily intensifying pressure on pay. The healthcare, social care, food, hospitality and logistics sectors have been particularly badly affected with top restaurants struggling to recruit chefs and waiters, meat manufacturers short of processing staff and a lack of HGV drivers causing disruption to supplies.

Pay hikes have been one way to address the labour supply crisis but employers, such as Amazon and John Lewis, are also using sign-on bonuses to sweeten compensation packages. These may be a quick fix but don't always translate into long-term hires. Nor do they change culture or enhance the employee experience in a meaningful way. CHROs will also have to be careful that larger bonuses – or large pay rises for that matter – don't skew pay equity and principles of fair pay.



Part 3: A reboot of the work experience



Nicola Wells
Global Reward
Director,
Unilever

Case study: Delaying – a flexible model to meet the needs of both organisation and its people

In a bid to be more agile and fluid, Unilever is delaying, removing hierarchies to create a flatter structure. Nicola Wells, Global Reward Director, explains why they are making the change and its impact on the employee experience.

Why is Unilever doing this?

The world has been changing and we see a need for flexibility. It's not just the business wanting to increase our agility, it's also our employees. They have interests outside of their working lives, and want opportunities to experience different types of working. We looked at our traditional hierarchies and ways of working and realised they weren't fit for purpose for our future organisation.

How is this new way of working changing aspects such as reward strategy?

Typically, in reward you would have pay scales attached to different layers and set pay reviews on an annual basis. It's quite formal and process driven. By removing some of those layers and broadening our pay scales, we have fluidity to allow people to grow their experience without them needing to be promoted. Yet, they can still get the incremental rewards they deserve. It also enables us to put in place skills-based reward. A flatter structure means we can focus more heavily on people's skills and consider how we reward someone for their specialist skills.

Studies show that individuals respond well to smaller bouts of recognition or incremental salary increases. We have moved our delayed populations from an annual pay review to what we call an open salary review. Line managers have a budget allocated at the beginning of our financial year and can now choose when, who, and how much of a pay rise should be given at any time during that 12 months. It means that rather than there being just one opportunity in the year to reward staff, the effect of which is lost after three to six months, we can give smaller rewards to make people feel good, as and when needed. We're getting good feedback on this change.

Unilever is well known for its cultural wellbeing. What role is wellbeing playing in this huge shift?

Wellbeing is front and centre of the delaying model. Our focus over the past few years has been addressing specific wellbeing aspects such as financial or mental wellbeing. But work issues – such as the type of role someone is doing or how engaged they feel – have an effect on wellbeing too. Giving people the opportunity to gain experience, develop skills and move around in their careers without feeling like they always have to push for a particular grade or promotion can play an important part in wellbeing and make employees' time at work feel more meaningful and purposeful.

What are the main factors to be aware of when trying to implement a delaying model?

- 1. You need to have good data**, so you can assess where your people are and put them into the bands as appropriate. That's particularly the case if you are delaying across grades where there are changes not only in salary, but also benefits.
- 2. Cost.** There are ways to keep it cost neutral but often there will be incremental costs as a result of the policy decisions you make and implement. For example, that might be the case when collapsing certain grades but retaining pay ranges.
- 3. Communication.** As much as this way of working offers new freedom, for others it can feel confusing. We are used to hierarchy in many walks of life. So, communication to make sure people really understand the benefits for them and the organisation is key. This is not a change to be taken lightly but everyone has been very positive about the flexibility that it affords.

36%

of employers plan to increase delaying of job roles into skill areas in the next two years or more. However, 50% say they have no plans to move to such a model.



Part 3: A reboot of the work experience

A new deal for employee wellbeing includes making training a priority



79%

ramped up their focus on wellbeing in the past two years. Almost half will be doing so in the next two years



34%

of businesses have increased the upskilling or reskilling of existing employees in the past two years, while 61% expect to do so over the next two years or more

The modern workplace is taking its toll on employee wellbeing and a range of external factors are to blame. Disruption caused by technology, economic volatility, the current pandemic and the surge in the use of robots and automation to replace humans have led to increased job insecurity and stress, which contribute to poor mental health and declining wellbeing.

Mental health affects productivity and sickness absence. Adding to that is the fact those suffering problems can be stigmatised and discriminated against.

The World Economic Forum estimates that by 2025, 85 million jobs may be displaced by a shift in the division of labour between humans and machines.⁷ There are opportunities too – job losses will be offset by the creation of 97 million new roles that emerge as a result of our new relationship with machines.

Employers preparing their workforce for an automated future by providing opportunities to reskill or upskill and remain in paid employment stand to gain in many ways. First, they are helping to create skills profiles they need to cope with digitisation. However, they are also helping to strengthen job security, which in turn boosts wellbeing, productivity, engagement, and other positive job outcomes. Research⁸ shows that thriving employees are four times more likely to experience a culture of learning and growth.

Employers need to be ready to devote substantial time and investment to learning and training initiatives and, importantly, the C-suite needs to see this issue as requiring immediate attention.

⁷ *Future of Jobs Report 2020*, WEF, October 2020

⁸ *Win with empathy – Global Talent Trends 2020-2021*, Mercer



Ian Peart

Head of Human Resources UK, Michelin

Case study from Michelin: Future proof your workforce by focusing on transferable skills

Michelin's business is going through a massive step change to align it with the company's purpose. We believe that mobility is essential for human development, so we are innovating to make it safer, more efficient and more environmentally friendly.

What does this mean, concretely? It means that our business model is adapting, moving from a tyre manufacturer to a sustainable mobility provider.

The pandemic simply accelerated what we already knew needed to happen, which was to become more agile.

As we move towards more innovative, technology-driven solutions, it's changing the skillset we need. Reskilling has been a crucial part of meeting that need, particularly ensuring our people have transferable skills, so that they and the organisation are better suited to a changing world.

We are on a programme of giving people digital skills that are so essential in modern life. We offer it as a development opportunity. It's there because we know it's good for business today and it's good for business tomorrow.

Adult learning is key. And that's not just on the manufacturing side but also on the selling side. For example, we are now using social media platforms to engage with people in completely different ways. That requires a new understanding of our business model and how to deliver it.

We have also had to bring in new skills to the organisation. However, one of our corporate values is providing people with a career, not a job. When we recruit people, we look at what their next job will be, rather than just the job we're recruiting for. Therefore, we have to find a way of helping people continually adapt their skillset to meet changing business needs, rather than simply recruiting skills into the organisation as and when we need them.

Our HR challenge is also ensuring that our employee experience is in line with what people need. We have to channel a vision that blends the best of the past with the best of the future.

Part 3: A reboot of the work experience

Tackling the damaging side of digital working



45%

will place greater emphasis on digital wellbeing in the next two years



46%

plan to focus more on creating connections and community in the next two years



40%

will use digital tools to improve connectivity in the next two years

Increased remote working brought in to facilitate a shift towards automation and digital technology isn't without repercussions. Generally, it is popular with staff and therefore regarded as a policy that increases engagement and job satisfaction. However, the mass switch to homeworking in response to Covid gave us deeper insight into the more worrying effects on employee wellbeing and emotional health.

Research has indicated that poor mental health and loneliness can rise among homeworkers, so too can feelings of being inadequately supported by their employers. 'Zoom fatigue' induced by excessive online meetings; digital overload caused by our 'always on' culture; and the pressure of dealing with increased volumes of online work, such as email, are placing employees at risk of burnout. Aggravating that strain is the blurring of home and work boundaries, so staff get little opportunity to switch off.

CHROs whose employers are drawing up hybrid flexible working strategies will have to reconcile the pros and cons of remote working and explore ways to prevent unhealthy work habits, for example, by encouraging staff to disconnect from devices when the working day is over.

They will also have to devise ways to support effective communication and collaboration between teams based in multiple locations, while also building a sense of community and belonging, so remote workers are engaged and don't feel sidelined when it comes to work opportunities. Increasingly, these will involve digital tools such as social media platforms designed for work use.

Lisa Lyons, Partner, Head of Workforce Transformation UK, Mercer, says creating a "culture of caring" is important to alleviate concerns around employee wellbeing. This entails adding benefits to support mental and emotional health and providing access to digital healthcare, such as a virtual GP or therapist. But it extends much further than this, she adds. "We need to demonstrate empathic leadership where senior managers show greater understanding of others' needs and connect with their people on an integrated work-life-health level."

To connect or disconnect?

A right to disconnect gives employees the ability to enjoy their free time by switching off from work, devices and email outside of their usual work time.

It prohibits managers from disturbing staff after their working day is over, unless in an emergency, or regularly asking them to carry out tasks out of hours.

It's not a legal requirement in the UK but is gaining momentum as countries such as Spain have made it law for remote workers, and digital transformation is becoming more widespread.

The CIPD says the policy can promote greater staff wellbeing by preventing burnout and can be an effective way for an organisation to demonstrate that it cares for its employees, which in turn, enhances recruitment and retention.

Ways to create meaningful connections:

- Encourage more flexibility around work arrangements since this raises levels of trust.
- More sharing of personal updates during meetings. This demonstrates trust but also honesty and mutual support.
- More sharing of feelings. Simply asking a team member how they are can be a powerful way of creating a sense of belonging.
- Checking-in with staff more regularly.
- Showing moral leadership, by leading people on a human level. Examples include providing emotional support to colleagues, explaining decisions, praising others and listening to and learning from different perspectives.

Source: *Human Connection in the Virtual Workplace*,
The HOW Institute for Society, March 2021

About the survey

The survey had 158 responses from employers representing an estimated total of 1.25m employees. It took place online during August and September 2021 and was carried out by the Reward and Employee Benefits Association among its c.2,400 Professional Members and c.8,500 subscribers.

How many UK-based staff does your company have?

1-49 employees.....	3%	1,000-4,999 employees.....	40%
50-99 employees.....	3%	5,000-9,999 employees.....	11%
100-249 employees.....	6%	10,000-19,999 employees.....	5%
250-499 employees.....	8%	20,000+ employees.....	9%
500-999 employees.....	16%		

What is your organisation's industry sector?

Other (please specify).....	1%	Not-for-profit sector.....	8%
Mining, oil & gas.....	1%	Public sector.....	9%
Leisure & Travel.....	3%	Professional Services.....	11%
Transport & Logistics.....	4%	Financial Services.....	12%
Utilities & Energy.....	4%	Manufacturing & Production.....	13%
Retail.....	5%	Media, Technology & Telecommunications.....	14%
Health & Pharmaceuticals.....	6%		
Engineering & Construction.....	8%		

Thank you to our respondents:

AB Agri, Abcam, AbilityNet, ACS International Schools, Adient Seating UK, Adobe, Aegon UK, Affinity Water, Aggregate Industries, AGS Airports, Airbus Operations, Alstom, American Express, ANZ, Arla Foods, Arup, Ashurst, Aster Group, ATS Euromaster, Auto Trader, AWE plc, Barclays, BBC Studios, Belron International, Benenden Health, BH Brawn and Co, Brambles, Brown Forman, Browne Jacobson LLP, BSI, BT, Capgemini UK, Central Digital and Data Office, CF Fertilisers, CIPFA, Coca-Cola, Companies House, Compass Group, Computershare, CPP, CVS Group, daa, Deloitte LLP, Direct Line Group, DNV, Dogs Trust, Dyson, Element Materials Technology, Epping Forest District Council, EQUANS, Essex County Council, Ferguson Group Services, FirstGroup, Fluor, Flutter, Frontiers Media, Gap, Government Internal Audit Agency, Greener Energy Group, HC One Limited, Hilti Great Britain, Hilton Food Group, ICG, IM, Indeed, INEOS O&P UK, ITV, Jaguar Land Rover, Kier, Kingfisher, KP Snacks, Kyowa Kirin International, Lendlease, LGC, Liberty Specialty Markets, Macfarlanes, Maersk, Magnox, Marel, Marshall Aerospace and Defence Group, Marshalls, Medallia, Michelin Tyre, Moog, Morses Club, Munich Re UK Services, MYTILINEOS, National Grid, NatWest Group, NHS Business Services Authority, Nokia, Nomad Foods, Novartis, NTT DATA UK, Ocado, Ofcom, Oxford Instruments, Pacific Life Re, Paymentsense, Philip Morris International, Post Office, Praxis Care, Privilege Finance Services, Prostate Cancer UK, QA, QBE, Rank Group, RBC, Renaissance Re, Repsol Sinopec, ResMed, Ricoh UK, Rolls-Royce, RSA, RWS Group, SAS UK, Save the Children UK, Schneider Electric, Severn Trent, Simplyhealth, SIS, Sky, SNC-Lavalin, Snow Software, Sony Europe, Sony Interactive Entertainment, Springernature, SSE Contracting, StepChange Debt Charity, SThree, Taboola, Tesco, Thames Water, The Dorchester, The Girl's Day School Trust, The Synergos Institute, Travis Perkins, Twitter, Tysers, UCB, Vale Garden Houses, Virgin Media O2, Virgin Money UK, VMware, Vodafone, WarnerMedia, Wessex Water, Westminster City Council, Whistl, Withersworldwide, Wolseley UK Ltd, Wood, Wyndham Hotels & Resorts, Yeo Valley, Yusen Logistics UK

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.

Contact REBA:

Debi O'Donovan, co-founder: debi.odonovan@reba.global

Phil Hayne, co-founder: phil.hayne@reba.global or 0771 466 0857

Website: www.reba.global

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

LinkedIn: [Reward & Benefits Association](https://www.linkedin.com/company/reba)

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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.

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Website: www.uk.mercer.com

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

LinkedIn: [Mercer UK](https://www.linkedin.com/company/mercer-uk)

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