REWARDING TOMORROW'S WORKFORCE

An in-depth analysis of the changing reward and benefits needs of the UK's workforce

THE DEFINITIVE GUIDE
TO WORKPLACE BENEFITS
REWARD

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LOVE IT OR LOATHE IT, TECHNOLOGY RULES

The last 20 years have seen a huge shift in the way that we use technology, both at home and at work.

Two decades ago in 1998, Google was still a business-in-waiting (it launched in September that year). A mere 29% of UK households owned a computer, and the idea of the 'coffice' (working from your local coffee shop, courtesy of free wifi) was a still long way in the future.

Now, 'Google' is a verb and – as of 2016 – the average UK home has 8.3 internet-enabled devices. Technology has transformed a wealth of everyday tasks, from paying bills to controlling the central heating, and has been the driving force behind a host of new business models.

It is also transforming the world of employment. The lines between work and personal life have become blurred, with the joy of being able to work anywhere anytime tempered with the risk that we work everywhere, all the time. We are also starting to see skill sets and job descriptions changing, as automation transforms the way in which many businesses operate.

As working models change, so too will the way in which staff are remunerated. That applies not just to the amount we are paid and the benefits we receive, but also the way in which those benefits are delivered.

This report explores some of the key themes that will affect how employees are rewarded in the future, focusing on productivity, financial wellbeing and benefits technology. All of these will be at the forefront of HR directors' thinking in 2018. I hope you find the results both interesting and useful.

Maggie Williams
Consultant editor, Reward


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EXECUTIVE SUMMARY

We asked 91 reward professionals for their views about rewarding tomorrow's workforce, focusing on health and productivity; being financially well and the role that technology can play in delivering benefits.

01 HEALTH AND PRODUCTIVITY

UK productivity levels are still below those seen before the financial crisis in 2008. There are many theories as to why this might be the case, from an ageing workforce through to changing work patterns. In this chapter we explore whether productivity is an issue for the HR professionals in our survey.

Our findings showed that the majority of companies (81%) have concerns over productivity. In 21% of instances, this was company-wide and in 25% affected specific parts of the workforce only.

The strength of employees themselves was considered to have the greatest effect on productivity at work. Sixty per cent of respondents said this was either 'very important' or 'important' to them.

Respondents considered that a great workplace environment and company values that are in line with those of employees were two key factors in motivating staff and improving productivity.

Seven out of ten participants do not measure the relationship between health benefits and productivity, and only 7% measure this using metrics and against benchmarks. Thirteen per cent measure this relationship on an ad hoc basis.

The Financial Services Compensation Scheme has been making good use of data. It has succeeded in cutting its health benefit spend while delivering more appropriate benefits for staff. It has re-examined perks that are not taken up to see if they are still appropriate or if they need to be tweaked.

Danone make effective use of data by carrying out an annual health screening with its 1,300 employees and analysing the anonymised results. They have introduced campaigns on the back of this information to address specific health issues such as obesity.

Data protection is a significant barrier when it comes to integrating data from different sources to create a full picture of employees' health, particularly at an individual basis. The introduction of the General Data Protection Regulation in 2018 will affect this further.

Tackle the stigma of stress by providing a supportive and open culture where people feel they can talk to their line manager about any concerns. A section on a company intranet about stress, recognising the symptoms and ways to reduce it, such as exercise, is a good place to start.

Our findings on employee burnout make uncomfortable reading. Only 6% of respondents said that burnout is not a concern for their organisation. Nineteen per cent said that this is a significant problem, and a further 41% said that burnout is an occasional problem but not widespread.

70%
do not track the relationship between health benefits and productivity

41%
of employers said that meeting future employer increases to the auto-enrolment minimum was their biggest challenge for 2018

02 FINANCIAL WELLBEING

Pay is failing to keep pace with inflation, meaning that some employees are struggling to make ends meet. This, combined with other factors such as the 'freedom and choice' pension reforms mean that there is a need to help individuals feel in control of their finances.

Money worries were at the top of respondents' list of concerns for the year ahead. 'Reducing stress related absence due to money worries' was the top priority for 31% of our participants, and 'Employees struggling with day-to-day debt' was the top concern for 29%.

From a corporate perspective, funding future increases to pensions topped the list of priorities for employers, with 42% saying that this is their most significant financial factor for the year ahead, and a further 24% saying that communicating those changes would be their biggest factor.

Thirty per cent of respondents said that they offer no access to financial education, and 33% offer no access to regulated financial advice.

Among those that do provide access, help is predominantly focused on retirement planning, and in some cases supporting those with debt issues.

Builders' merchants Travis Perkins has taken a holistic approach to financial wellbeing, with a long-term perspective. The company assessed its workforce to find out what their current problems are, and have designed a financial wellbeing programme to address these.

The 'freedom and choice' pension reforms have had wide-ranging consequences for businesses – and not all of them are pension related. Workforce planning is just one aspect of corporate life that is being affected.

Making sure that employees can afford to retire is a major consideration. To achieve a minimum income in retirement of £13,500 means an individual would need around £5,500 per annum on top of the state pension. This would equate to a pension pot of around £200,000.

According to the Financial Conduct Authority, 53% of pension pots that have been accessed since the introduction of freedom and choice have been fully withdrawn.

61%

do not analyse their workforce for financial education and regulated advice needs

03 REWARD AND TECHNOLOGY

Technology can revolutionise the way that benefits are designed, how they are delivered and how businesses communicate with their staff about them.

Email is by far the most common way to communicate to employees about their benefits. It is used by 93% of respondents in our survey.

However, newer methods of communication, such as social media are also becoming more appealing, with 20% of respondents using this approach.

Nearly half (49%) of respondents say that they communicate 'on demand' with employees about their benefits. However, 15% only get in touch with their staff about benefits once a year.

Financial factors are the most common barrier to investing in reward technology. Cost is the biggest challenge that 60% of our respondents have to overcome and justifying return on investment is a stumbling block for 43%.

Other HR projects taking priority has stood in the way of progress for 35% of our participants.

Providing a great employee experience is the most important factor for success when it comes to reward technology. Sixty-one per cent of the audience rated this as either the first or second » most important factor in a list of seven.

If money were no object, 35% of respondents would make increasing their range of benefits a priority, and 30% would invest in improving communications to employees.

Information technology firm Atos has introduced a new reward system for its employees, with the aim of encouraging greater benefits take-up and giving employees access to their benefits via mobile devices. Improved data management tools will also help the company better understand what their employees want.

Compared to other HR functions, reward has been slow to get to grips with data and use it to best effect in building and monitoring a reward strategy. This forms the bedrock of justifying return on investment.

Many companies are still using spreadsheets or manual tools to track benefits use, and are not in a position to get an aggregated view of data across the whole of a benefits portfolio.

There is a trend towards greater personalisation of benefits, rather than settling for a one-size-fits-all approach. However, this again is dependent on good quality data.

82%
do not have a formal financial wellbeing policy

04 FUTURE TRENDS

Consumer technology is continually evolving, and providers are finding ever more ways to engage with users and also to gamify their experiences. Product development lifecycles are also shortening, meaning that new products and platforms can be brought to market more quickly. Although corporate technology does not move at quite the same rate as consumer products, employees' expectations of benefit systems will be shaped by their experiences as a consumer.

User experience needs to be at the heart of all development work. That means identifying who the users are, how they expect to engage with their benefits and what device they might use to connect.

Talent management, workforce planning and employee engagement will all be radically changed by technology in coming years. Over the longer term, artificial intelligence will also play a major role. Job functions are already being redefined and skill set requirements are changing.

Transparency of pay and benefits is also likely to become increasingly important. Gender pay gap reporting and new rules requiring publicly listed companies to publish the pay ratio between their chief executive and the highest-paid UK worker could be just the start. Being able to understand and act on those gaps will require better quality data and the skills to analyse it.

05 ABOUT THE RESEARCH

Reward surveyed 91 HR professionals in November and December 2017 for this survey. They came from a variety of different company sizes, ranging from under 500 employees (33% of respondents), to more than 3,000 (26% of respondents). Nineteen per cent of respondents were part of a global business. ■

01

HEALTH AND PRODUCTIVITY

IN NUMBERS
Our infographic shows employers' ideas around workplace effectiveness and the barriers to it

ANALYSIS
What factors affect productivity? We review the responses from the employers in our survey

CASE STUDY
How the Financial Services Compensation Scheme made its benefits more relevant

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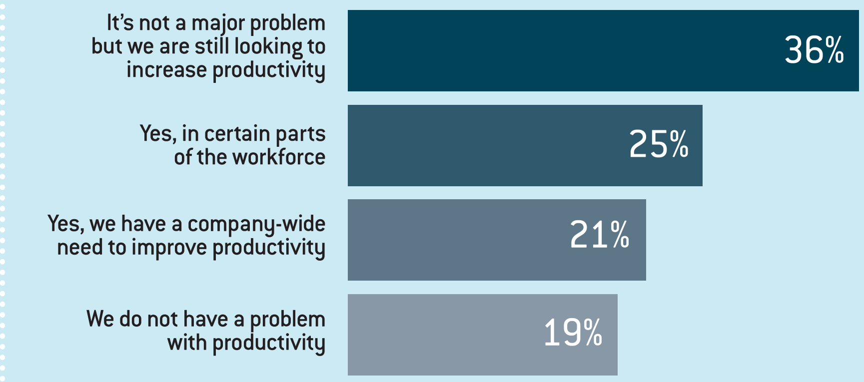
CHAPTER ONE

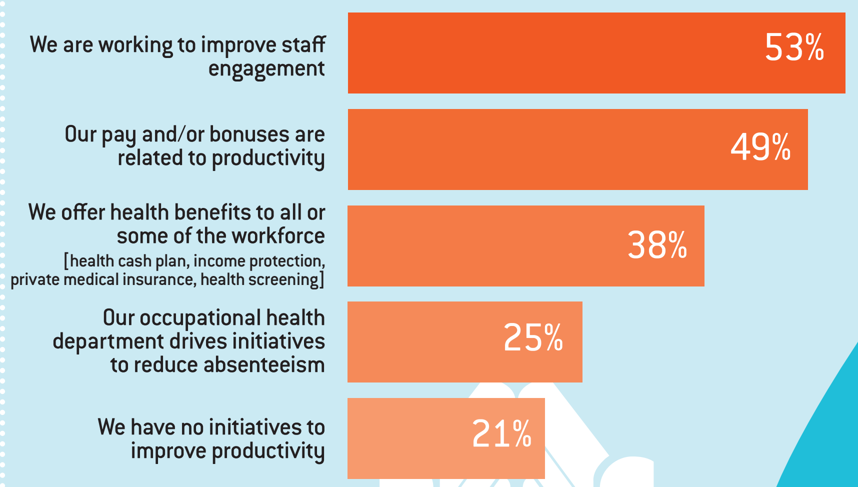
HEALTH AND PRODUCTIVITY

How are employers tracking health, productivity and staff burnout?

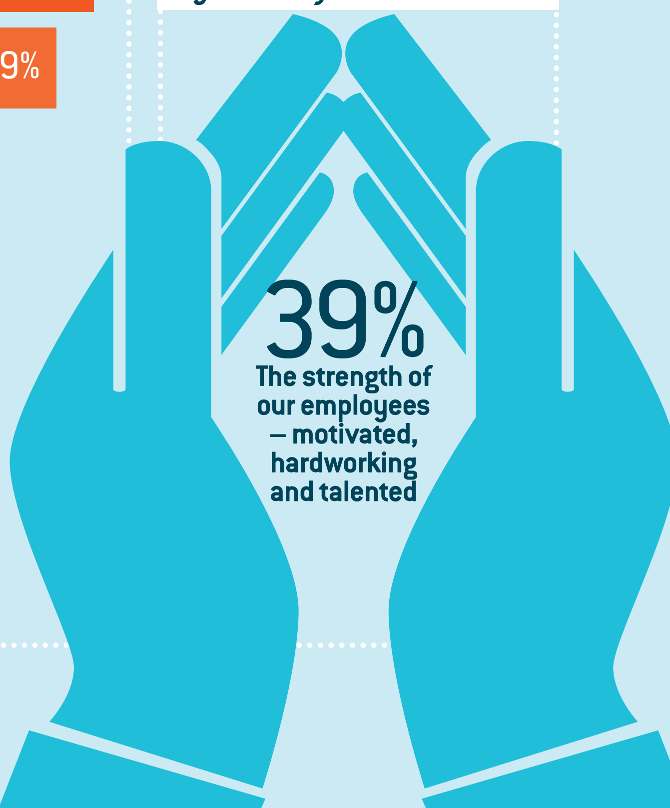
Is productivity a concern for your company?

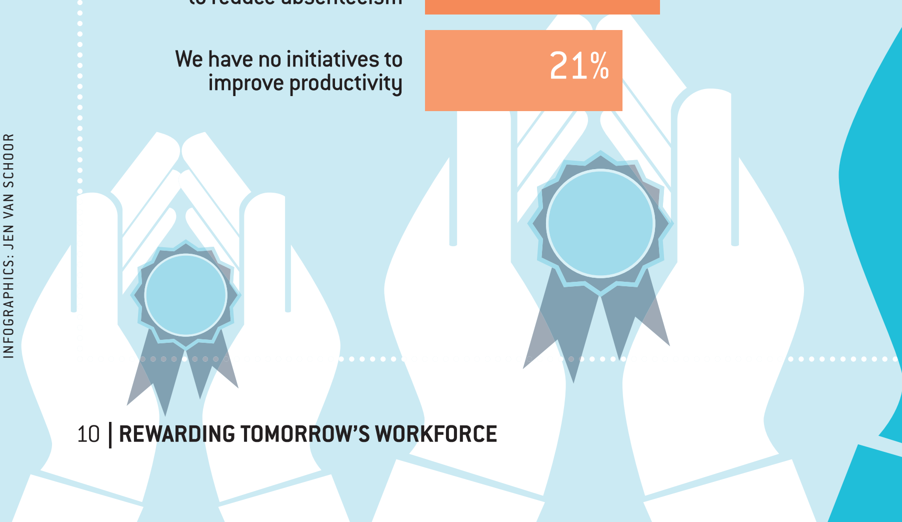


Do you have benefits or other internal processes specifically designed to drive better productivity?



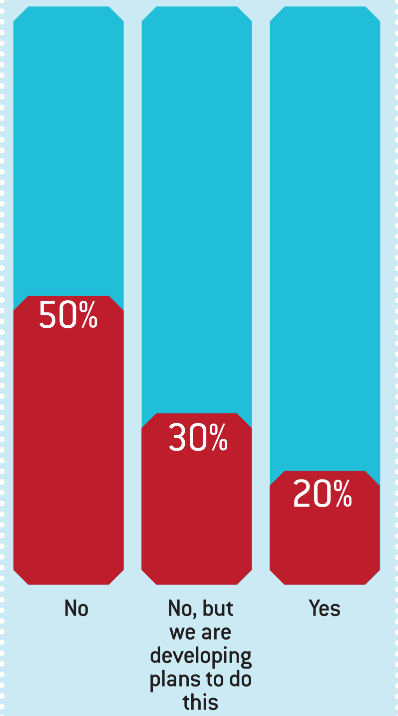
What is the most important factor that affects productivity in your workforce?



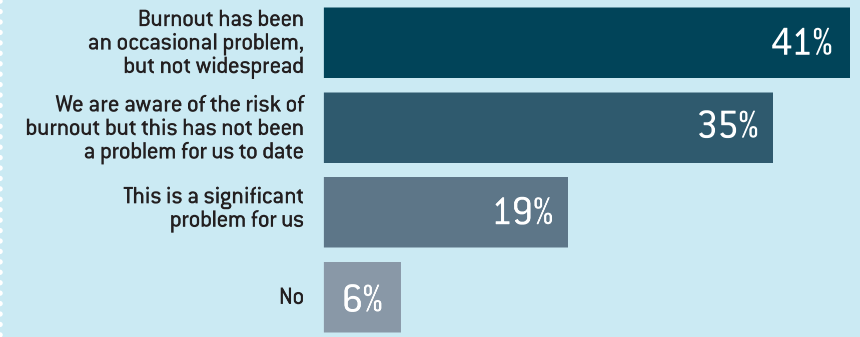


INFOGRAPHICS: JEN VAN SCHOOR

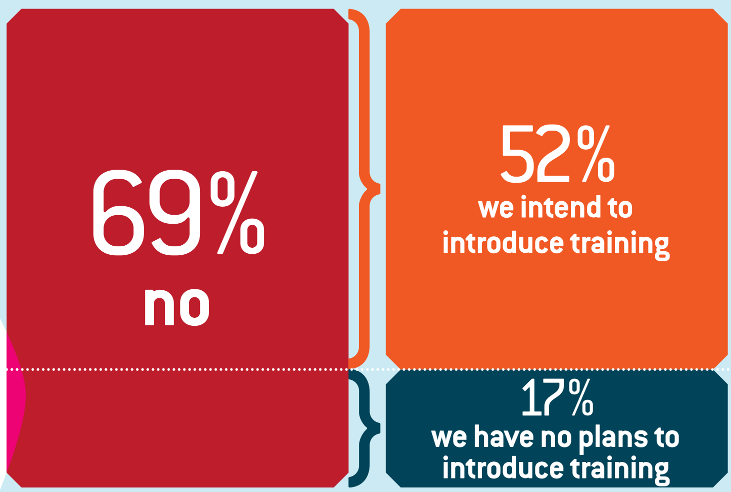
Do you have benchmarks in place to measure employee wellbeing?

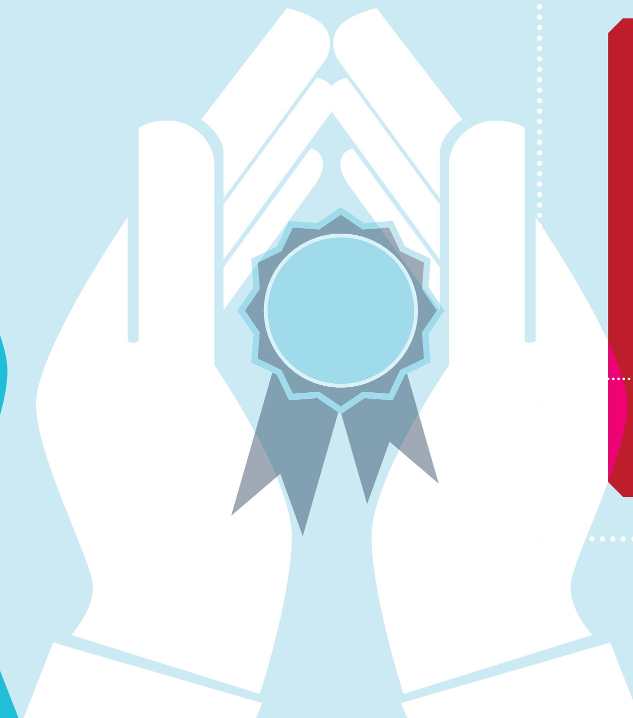


Is burnout a concern for your organisation?



Are your line managers trained to spot signs of burnout?





WHO'S WORRIED ABOUT WORKPLACE EFFICIENCY?

UK productivity is not as good as it could be. **Maggie Williams** looks at the responses from the survey to establish what employers believe is making their staff less effective than they could be, and offers some suggestions for improvement

Statistics from the Office for National Statistics show that UK workplace productivity UK is still below the pre-financial crisis levels of 2008. We asked our respondents whether productivity levels are a concern for their organisation and how they are reacting to the challenges of improving it.

Only 19% of participants do not have a problem with productivity. Forty-six per cent said that they either had a company-wide need to improve it (21%), or had concerns in certain parts of the workforce (25%). A further 36% said that although productivity is not a major problem, they are still looking to raise it.

We asked respondents to rate how five factors affect productivity in their organisation, on a scale of one (very important) to five (very unimportant).

Six out of ten said that 'the strength of employees' was either important or very important, making this the highest scoring factor, a figure that rose to 70% among companies with fewer than 1,000 employees.

'Processes and the relationship between and within departments' also scored highly, with 52% ranking this as either important (32%) or very important (20%).

Participants said that 'company culture and image' was moderately important, with 28% of respondents giving this a mid-ranked score of three, and 38% saying it was important or very important.

'Reward strategy' was less crucial, and had the lowest average score of the five factors, with 60% considering it unimportant. Participants from smaller companies ranked reward strategy lower still.

Overall, reward ranked even lower than 'company internal communications', which 20% of all respondents said was unimportant, and 36% consider very unimportant.

We asked respondents to rank ten motivation drivers in order, in terms of their impact on productivity. A 'great workplace environment' and 'company values in line with employees' were the two top-ranked factors, with 17% ranking the first of these as their top factor, and 15% putting company values at the top of their list.

However, when looking at the factors that participants chose as their top three considerations, the most popular answers were 'great workplace environment' (52% put this in their top three); sense of achievement (40%); and competitive salary (38%).

When asked about the relationship between productivity and reward strategy, there were some unexpected findings, with 39% saying that there was no connection between the two in their organisation.

Among the remaining 61% who do make a link, 41% said that they are related at an individual level and 35% said it was at company level. There is less of a link at departmental or team level, with only 13% and 17% respectively relating reward and productivity in those contexts.

BENEFITS AND PRODUCTIVITY

We also asked if our audience offer any benefits or have any internal processes that are specifically designed to drive better productivity. Fifty-three per cent were addressing this by improving staff engagement, and 49% said that their pay and/or bonuses are related to productivity.

Other initiatives included offering health benefits, such as a cash plan or income protection (38%) or encouraging an occupational health department to drive initiatives that reduce absenteeism. However, 21% said that they have no plans in place to improve productivity.

We asked our participants if they measure the relationship between health benefits and productivity. Only 9% of our respondents offer no healthcare benefits at all – but 70% of respondents

Additional analysis by **Savan Shah**

do not measure the relationship between the health benefits they offer and productivity.

A mere 7% measure it using metrics and benchmarks, and further 13% said they track the relationship on an ad hoc basis.

EMPLOYEE BURNOUT

Our findings on employee burnout make uncomfortable reading. Only 6% of respondents said that burnout is not a concern for their organisation. Nineteen per cent said that this is a significant problem, and a further 41% said that burnout is an occasional problem but not widespread.

The remaining 35% are aware of the risk, but it has not been an issue to date. Public sector and not-for-profit organisations were more likely to have concerns, with 20% saying that burnout is a significant problem and 52% saying that it is an occasional problem for them.

Line managers have a crucial role to play in responding to signs of burnout among team members. However, 69% do not provide any training to equip line managers with the skills to spot it, although a more encouraging 52% intend to provide this in future.

Respondents from companies with fewer than 1,000 employees were more likely to provide training than their larger counterparts, with 38% saying that they already do so (compared to 31% overall), and 47% reporting that they intend to.

When it comes to using benefits to address the risk of burnout, 87% of respondents said that they have turned to an employee assistance programme (EAP), and 25% also said they have other healthcare benefits that provide support for the symptoms of burnout. Among smaller businesses, the use of EAPs is even higher, with 94% of participants saying that they have an EAP.

Fifty-four percent of respondents overall have introduced stress resilience training, but this jumps to 71% among respondents from public sector and not-for-profit companies.

Twenty-one per cent overall have created an awareness programme. Apps and similar technology are less popular as a burnout management tool, with just 15% using these to help staff reduce their risk.

TRACKING AND MEASURING WELLBEING

Our findings showed that companies have a mixed approach to tracking the wellbeing of their workforce. The most common indicator is sickness absence, with 83% of respondents saying that they use this as a measure of workplace wellbeing.

Collating subjective views from staff using engagement surveys is also common practice (65%). However, respondents are less likely to use data to measure wellbeing. Although 33% said that they collate data from wellbeing and health benefits, this is done for each benefit in isolation – only 2% have an integrated approach to collecting and analysing health data. Eleven per cent do not track wellbeing at all.

Given the lack of collected data, perhaps it's not surprising that 80% of respondents have no benchmark in place for it, although 30% are developing plans to do so. This trend is consistent, regardless of company size.

In general, our research findings show that respondents are aware of the need to improve productivity. The role that staff burnout can play is also high on the agenda – and already a problem for some. However, there is still much more work to do in setting benchmarks and collecting data that will help businesses really understand and react to the challenges of staff wellbeing and productivity. ■

WAYS TO FOSTER A BETTER WORKING CULTURE

Good mental health is the key to productivity and employers can do a great deal to support their staff. **Pam Whelan,** Simplyhealth's director of corporate, explains what organisations can do to help

Why does productivity matter at work, for employers, employees and also for the UK's economy as a whole?

Having a productive workforce can be a real differentiator for any company. The working landscape is changing fast, with increased automation, the off-shoring of certain functions and the rise of artificial intelligence. As a business, it is increasingly your people who make the difference. If they perform well, your business is likely to perform well also.

What do you think are the biggest barriers to increasing productivity and how can employers address them?

We are no longer working nine to five. For many of us it is 24 hours a day, 365 days a year, so there are increased demands and pressure on everyone. Really, I think mental health is the biggest issue. We all have mental health. When we use the term it suggests that somebody is struggling, but actually there can be good mental health as well as bad.

As businesses, we should be supporting our people and talking openly, equipping our managers to encourage open dialogue and putting support mechanisms in place for our people to access counselling. For example, a cash plan will typically offer both telephone and access to face-to-face counselling when is that is required.

How do you empower managers to make them feel more confident about addressing these issues?

It really starts at the top with the culture that you create. If employees feel safe and supported, they're more likely to be open. We've a situation in our own office where we have an individual who is struggling with their mental health. The feedback from them is that the support that the line managers have given has made the difference between them being able to manage it better and be present in the office rather than having to take time off. That individual feels supported and that there is not a stigma attached to their situation.

How do you foster good mental health in your workforce?

It is important that people know that they work in a culture where they can talk and where it is recognised that mental health is as important as physical. That open environment encourages people to talk to managers and colleagues.

From our own company's perspective, we encourage people to perform well while they are at work, but equally ensure that when they're not in the office that they are making the most of other aspects of their lives. We encourage a culture of not emailing over the weekends or at silly o'clock in the evening. You come in, do your work, perform well and then have your downtime to enjoy the other parts of your life that feed your happiness and your health.

We try to encourage not only good mental health but good physical health via our benefits. Cash plan benefits help our people to take more of a preventative approach to their health and wellbeing, encouraging them to not wait until a problem manifests. That ,as a business, is the proposition that we offer, so we instil it within our employees.

Mental illness and poor financial health are often interrelated. As an employer, how do you address that complete picture and help employees to tackle their debt issues?

It is important to have an employee benefits package that takes into account the whole range of issues that can affect financial wellness. Allowing staff to access financial advice through their benefits package is one way of dealing with it. So hopefully any financial concerns can be addressed early before they become an issue that can manifest in the form of bigger problems down the line.

We've got probably the widest range of ages that we've ever had within the workforce, and the issues vary hugely at different life stages. As employers, it is important that you understand the demographics of your workforce and have appropriate benefits in place to manage all the challenges that may manifest themselves throughout people's working lives.

Is the sandwich generation, people who may be caring for children and parents at the same time, as an issue within your workforce? What kind of solutions can employers put in place to help?

I don't think we see it as an issue because we recognise that all those challenges exist for our people, and therefore ensure that they are supported.

We have got the Care for Life proposition, where we recognise that a lot of people are carers for elderly relatives or disabled partners or children. It's a case of ensuring that we've the right support mechanisms in place so that they can access practical advice on how to manage certain situations.

We have an open culture where we can talk and allow flexibility to make sure that carers have the ability to drop somebody off at respite care. Equally, when carers are in the office they are able to be more present because they know that they are supported.

There's a perception that burnout and stress are a bigger problem now than in the past – is that really the case, or have we just become better at recognising, recording and quantifying it?

You could probably ask ten different people that question and get very different responses from each of them. But my personal view is it's probably a combination of both as well as an ageing workforce, which I think is another dynamic that is adding to it as well. But whatever the reason, the positive news is that we are recognising the problems more and more now, and offering appropriate benefits for support, which has got to be good for everybody.

When you say, 'the right sort of support', does that mean measures such as counsellors in the workplace, or is it more a case of fostering openness among managers, or will it vary from company to company?

If a company is identifying that they have got a big issue with mental health, then they need to look seriously at what support mechanisms they can put in place. It may be through appropriate products that gives employees access to counselling, or indeed offers a counsellor on site, which for certain types of workforces may well be appropriate.

Companies should look at the feedback they are receiving from their staff and understand what the challenges are. Are they adding to the issues by expecting a 24/7 working culture? Is there something that they can do to change working practices as well as providing practical support through offering counselling, for instance?

"You come in, do your work, perform well and then have your downtime to enjoy the other parts of your life"

Do you think employers are taking more responsibility now for mental health than they did in the past, especially as public services are under pressure?

I think employers are taking more responsibility now because they understand the challenges their workforces have. Equally, while employers can provide products and services, we really need individuals to take ownership of their own health and wellbeing.

Employers can provide appropriate benefits that encourage a preventative approach. I think where we've challenges with the NHS, issues around accessing even general GP and dental appointments, we really do need to be empowering people to take more responsibility for their everyday health and helping them perform well, not only in work but also in their home life as well.

If you were somebody from a company who was reading this interview, thinking: "I really need to do something about this," what would be the first steps you would advise that they should think about taking?

First of all, how are they recognising there is a problem? Have they already surveyed their workforce, have they empowered their managers to have those conversations? Is this where they are starting to get the feedback from?

Once they understand what the problem is and where the challenges are, then it is talking to the likes of ourselves, Simplyhealth, and understanding what our propositions are and where we can offer practical support through the products that we offer. We can also help employers to communicate with their workforce and help them to identify the culture that they are trying to drive. ■

IT'S ALWAYS TIME FOR A SPRING CLEAN

FSCS

THE FINANCIAL SERVICES COMPENSATION SERVICE WAS WELL PLACED TO EXPLORE HOW BEST TO PROVIDE AN UP-TO-DATE BENEFITS OFFERING, WRITES PETER CRUSH

Staff at for the Financial Services Compensation Scheme (FSCS) – the department that protects consumers of financial services firms when they fail – receive (understandably perhaps), a pretty good suite of perks. PMI for all staff – you bet they do; pension quality mark status for pensions – yes; income protection – yes, again.

But according to David Blackburn, the FSCS's chief people officer, many of these had begun to be regarded as "passive benefits" by employees. They were legacy perks that had come to be regarded as normal, but were preventing moves into more of a health and wellness direction because of their costs.

The upshot of all this – and by doing what some might consider a brave move – has led to the scaling back in the generosity of perks. It's been done by identifying aspects to benefits considered as not making much difference to staff, so that more of a health agenda can be pushed.

"We had multiple brokers, all charging different rates, handling different benefits, so we partnered with Aon to bring them all together," he said. "What we also did was get some initial qualitative work on what certain benefits were costing us."

He adds: "We already knew private health insurance was massively generous – for instance, that if anyone had to leave work due to ill health, we'd pay their salary for life. The analysis showed us that if we cut this back to say, paying salaries for five years, it would save us enough money to give everyone dental cover without staff feeling they'd lost out."

Since then, all existing perks that cost a lot, but are not used much and don't add value to staff have been re-examined.

"We made free travel insurance voluntary, because the average age of our population has gone down," he says. "As a result, we've been able to tweak other perks – for instance, we've moved our gym membership to a flex arrangement, which means staff can access better discounts and use the gyms better – which we believe will boost health and wellbeing."

Blackburn believes a targeted look at old perks is a worthwhile exercise. "Offering ever-larger lists is no longer the thing to do," he says. "Now I'm more of the 'what can we take out' persuasion." He adds: "When medical insurance inflation is approaching 14% per year, you have to look at ways to be more efficient with health spend. We think our gym offering will ensure we protect staff from getting ill as much."

Because cost has been controlled through looking at the data, Blackburn says he's managed to make National Insurance savings of £224 per head, and it's freeing up cash for other health initiatives.

"I'm looking at an online GP service – we've been quoted £2.20 per employee – and we think this is a health benefit with more relevance to our demographic." The plan is to introduce it in 2018. "Data," he says, "is the crucial component. If you don't know your numbers, you can't do any improvements." ■

THE DATA IS OUT THERE – DON'T BE AFRAID TO USE IT

Developing a personalised health strategy for employees with vastly different backgrounds and needs can be helped by integrating information from a wide range of different sources. **Sam Barrett** looks at employers' options

Technology is transforming workplace health and wellbeing. People can do everything from tracking their steps and sleep patterns to logging their sickness absence and booking a check-up with a virtual GP. And, with these interventions generating valuable data that can be used to inform a workplace health strategy, this technology could be helping to shape the healthcare of tomorrow.

It's a move that's already under way. "Analysing employee health data can help an employer determine which issues they need to address," explains Colin Perry, head of corporate marketing at Simplyhealth. "As more data becomes available, it will be possible to gain a much more detailed picture of employee health."

For example, where absence data shows that employees are suffering a high level of musculoskeletal complaints, an employer might introduce more access to physiotherapy and arrange for interventions such as ergonomic workstation assessments and lifting training to help prevent future problems.

Among the employers already using data to shape their health strategy is Danone UK. It offers its 1,300 employees an annual health screening with Bluecrest Wellness, with an experienced GP analysing the anonymised data on its behalf.

"This highlights the issues that are relevant and would benefit from more attention in our health and wellbeing strategy," John Mayor, head of rewards at Danone UK & Ireland, explains. As an example, he points to health campaigns his company has run in response to findings around vitamin D deficiency and obesity.

The range of sources of health data is growing rapidly, too. Alongside traditional data such as records held by HR, which covers details including an employee's age and attendance record, and the claims experience on products such as medical insurance and group income protection, employers can access aggregated data through benefits such as employee assistance programmes and medical insurance.

Anonymous data is also available through initiatives including health screening and health risk assessments, giving a good snapshot of workplace health. And the next wave of data, which will come from health and fitness trackers, will give employers a much more detailed overview of employee health.

DATA POWER

Valuable on its own, being able to integrate all of this data will be a game-changer for workplace health, according to Mark Witte, principal at Aon Employee Benefits. "At the moment, the data employers use is very back-end: it might show you some trends but essentially the employee is already off work and ill," he explains.

"Bringing in new data to create a more detailed view of employee health will shed light on their activities and behaviours long before they're off work sick."

Having this insight is particularly useful for tackling the risk of chronic conditions such as diabetes, cardiovascular disease and cancer. These are increasingly regarded as being linked to lifestyle factors, and where data shows employees could be heading towards these conditions, employers can introduce targeted interventions. These could include interventions targeted at smoking cessation, healthy eating information and exercise classes to encourage healthier behaviours.

"Life expectancy is increasing but we're finding that the quality of life isn't always present in those extra years," explains Dr Chris Tomkins, chief

operating officer for Proactive Health at Axa PPP healthcare. "Adopting healthy behaviours can have a significant impact on the number of quality years people live."

Tackling the risks associated with these chronic conditions has many more knock-on effects. With healthier employees, productivity and engagement often increase, while sickness absence reduces. This will become increasingly important as more employees stay in work at later ages.

As well as the financial benefits generated in these ways, employers could also see savings on their health benefit spend.

Gary Peace, corporate sales manager at The Health Insurance Group, explains: "By targeting the issues affecting the workforce, both today and in the future, healthcare spend will be more intelligent. Medical insurance is a reactive benefit so by improving health an employer can reduce the number of claims and control the cost of cover."

USING PROTECTED DATA

There are several barriers preventing employers from reaching this position. The sensitivity of the data means that data protection is a major issue. "People do get nervous about their data being used, especially when it's something as sensitive as health," says Witte. "This is a challenge that will only increase in May when the General Data Protection Regulation is introduced."

Perhaps because of this stumbling block, the infrastructure isn't yet readily available to enable employers to integrate the data. There are no technology solutions on the market that pull all data sources together and, with the insurers only offering a subset of the benefits that generate data, there's little incentive for them to develop an all-encompassing solution.

Even collating the data within an organisation can be challenging. Data integrity can be an issue, especially when it comes to employee health. Rather than reveal the nature of a health problem, it's not uncommon for an employee to mask it behind conditions such as headaches and stomach upsets.

"Tracking the number, duration and reason for employee absences can provide insightful results, but the data must be accurate, cleansed and captured effectively," says Nicky Dunderdale, director of digital at Pyson, part of the Punter Southall Group.

In addition, data can be spread across different departments. For instance, human resources might handle absence data while insurance claims information is held by the reward team. This can add further complexity when pulling data together.

Using data in a more joined-up way can also be a tricky sell. Perry says there needs to be benefits for all three parties – the employer, the employee and the provider – for this approach to be successful.

"There are clear advantages for both the employer and the provider in terms of being able to better understand the risk, but the employee benefit is less clear," he says.

"As well as making it more difficult to access the data, this could make employees suspicious about how it might be used."

OVERCOMING THE OBSTACLES

While there are plenty of obstacles, the potential benefits available for those employers who can integrate their employees' health data should make it possible to overcome them.

For starters, the right workplace culture is essential. Where people feel supported by their employers they are much less likely to be suspicious about their data being used to shape the health and wellbeing strategy. Likewise, by having an open »

"If the outcome is a healthier lifestyle, employees will be much more comfortable about sharing their data"

and supportive culture, the probability of masking a health problem behind one of the catch-all conditions is reduced, too.

Creating the right culture isn't easy, but Peace says the simplest way is to start from the top. "Having senior management buy-in is essential," he says. "Where employees can see that management take health seriously they are much more likely to follow their lead."

Alongside a supportive culture, the way health data is used can also help to ease employees' concerns. This could be something as simple as highlighting the fact that the company is introducing a new menu in the canteen and offering free gym membership in answer to issues found in an employee health assessment.

This also helps to address Perry's concern that there are no incentives for employees. "If an employee can see that the outcome is a healthier lifestyle, they will be much more comfortable about sharing their data," he explains.

This shift has already been seen in other areas. For instance, when location services were introduced on mobile phones, initially there was a rush to turn them off to retain privacy. But, when leaving them on potentially meant a free coffee or a discount in a shop, they became a standard, always-on, feature.

ALL TOGETHER NOW

Using an independent benefits consultant to amalgamate the data can also help to overcome employee nervousness. This also ensures there are no issues bringing together data from different insurers and health initiative providers.

Some of the benefits consultants are already managing this data for their clients.

For example, Aon is investing in analytics to build tools that enable employers to look at the amalgamated data.

Witte explains: "There is so much data available in this space so we've created tools that can visualise it. This enables our clients to be able to see instantly where they might have health issues in their workforce and take the necessary steps to address them."

Similarly, at The Health Insurance Group, Peace can bring together the various health data streams for a client and present them on a dashboard. "It can really help them make decisions about their health and wellbeing strategy," he adds.

Furthermore, outsourcing the management of this data to a third party also fits well with the data protection regulations.

Dr Tomkins explains: "The European Commission has already indicated that it's not keen for employers to hold this type of data. Using a neutral third party will overcome this issue."

With more health data becoming available, finding ways to bring it together in ways that will benefit all parties is essential.

Taking these steps should put these benefits within reach of more and more employers. ■

HEALTH AND PRODUCTIVITY IN NUMBERS

0.9% The growth in UK productivity between Q2 and Q3 2018, according to the Office for National Statistics. This is the biggest increase since Q2 2011, but productivity is still below the levels reported before the financial crisis.

93% The percentage of business executives planning to make a design change to their business in the next two years, according to Mercer's Global Talent Trends research. Their aim is to increase efficiency, agility, and customer intimacy.

37% The number of employees who said that if their employer made them feel appreciated they would feel more motivated at work, according to research from Red Letter Days.

3x FTSE 100 companies that addressed employee mental health and wellbeing in their 2016 annual reports enjoyed up to three times more profit. But one in three organisations did not mention wellbeing at all in their annual report, according to analysis of reports by Soma Analytics.

15% The percentage of employees who disclosed a mental health issue who faced disciplinary procedures, demotion or dismissal according to Business in the Community's 2017 *Mental Health at Work* report.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STAFF WELLBEING CAN BE ACHIEVED ONE STEP AT A TIME

A healthy and happy workforce is also a more productive one. Our top ten tips suggest ways that employers can encourage their staff to look after themselves. **Kimberley Dondo** runs through some suggestions

1 **Help your employees to take care of their health.** It is impossible for anyone to give their best if they do not feel their best. By encouraging your employees to put their health first, you not only show them that you take an interest in them as people, but you also help them to be happier and healthier: both key factors in workplace motivation.

Ensure that you foster a positive attitude to health, one that encourages people to take breaks when needed, to eat well, and not to be afraid to call in sick when they need to. All too often workers feel pressured to come into work even when they are far from well enough to perform effectively. This not only risks spreading illness around the office, but also creates a culture of fear and bad feeling: ultimately translating into demotivating factors.

Look into providing healthy workplace snacks, ensure that people take regular breaks, and demonstrate a fair and sensitive attitude towards sickness. These all send a clear message to staff that you value their health.

2 **Introduce flexible working practices** that allow people to work at home now and again. For instance, some companies allow employees to work a nine-day fortnight, which means they can have every second Friday off.

According to productivity specialist Workfront's recent report, *What Motivates UK Workers*, over half (52%) of British workers picked 'flexi hours' as the perk that most motivates them to be a better employee. Its study also found that employees value the opportunity to work from different locations. Thirty-four per cent said that they are most productive at home, where there are fewer distractions. A fifth said that working from a coffee shop enabled them to boost their productivity. Not all jobs will allow this type of flexibility – but where appropriate, it seems that variety really can bring spice to working lives.

3 **Introduce a strategic absence management system** instead of out-of-date paper forms and spreadsheets to monitor absence trends. This can help organisations keep track of who is in or not, especially if the organisation offers flexible working. It can also flag up if someone is taking a great deal of time off sick.

Capturing data in this way also means that absence management can be linked into other forms of HR data, to provide a bigger picture view of how the organisation is performing. In turn, that can help in building the business case for workplace wellbeing initiatives by showing where problems lie, or showing return on investment for existing benefits through benchmarking 'before and after' absence management patterns.

4 **Tackle the stigma of stress** by providing a supportive and open culture where people feel they can talk to their line manager about any concerns. A section on the intranet about stress, recognising the symptoms and ways to reduce it, such as exercise, could be a good start.

There are many free online resources, such as Time to Change, which provide support and information, both on speaking out if you are struggling with a mental health issue and how to support others as a manager or as a colleague. Its annual Time To Talk day (1 February in 2018) encourages everyone to be more open about their mental health, and also offers a wealth of materials on the website to help you.

Introducing workplace champions is another good approach. Consultants PwC's Green Light to Talk policy includes volunteer wellbeing champions and aims to help people be more open about stress and mental illness.

5 **Provide line manager training** to be able to spot the signs of stress and depression early on. This can help initiate conversations

before things get out of hand and to provide appropriate support if needed.

Spotting these and other early signs of mental health issues may be uncharted waters for a line manager, both in terms of what to look for and how to respond in a work environment. Knowing how to be supportive while still carrying out a manager's role is essential.

Poor line management is often singled out as a cause of workplace stress and staff illness. However, managers themselves may be feeling under pressure and need support as well. It is important that senior staff as well as more junior managers are trained in how to build a good workplace culture.

6 **Improve employee engagement and morale** in the organisation. This could be as simple as Friday afternoon drinks to thank everyone for their hard work or a monthly team outing for lunch. Encouraging people to socialise and not just talk about work can be a good stress reliever.

Workfront's report asked employees 'what influences you to excel at work the most?' Over a third (37%) of workers cited 'praise from my manager or boss' as their top motivator.

The simple act of saying 'thank you' and acknowledging a job well done is an obvious (and free) way of improving staff motivation and morale.

On the flipside, research by the Centre for Mental Health estimates that the cost of mental health-related presenteeism to the UK economy is £15bn per year – almost twice the cost of absence.

7 **Encourage people to take regular breaks** and not eat lunch at their desks. Time away from their desk and perhaps going for a walk outside can help people feel more refreshed and less stressed. It is also good for their posture.

However, if your workplace culture has always been about snaffling sandwiches at record speed while checking emails, employees may need some behavioural 'nudges' to encourage them to change their habits.

Building the right environment, such as creating relaxation areas where staff might want to spend time, could help. Or why not encourage staff to build a 'good eating guide' to cafés, parks and other lunchtime options in the area?

8 **Make sure you carry out back-to-work interviews** when people come back after time away sick. This gives your employee the opportunity to talk about any issues or feelings of stress, as well as giving you the chance to spot potential areas of concern.

Back-to-work interviews can also provide valuable feedback about health and wellbeing across an organisation.

When combined with other data, such as aggregated feedback from Employee Assistance Programmes or health cash plans, back-to-work interviews can help to pinpoint specific health needs. For example, if there are regular instances of staff suffering from back pain, it may be time to review workplace design.

It's important that back-to-work interviews are supportive so that they can really get to the truth –if someone is claiming illness, but is really struggling to support a child or elderly relative, the solution will be very different.

"Saying 'thank you' and acknowledging a job well done is an obvious (and free) way of improving staff motivation and morale"

9 **Adopting a more positive management style** can help employees feel more engaged. It's important to regularly praise and recognise people's achievements, and encourage staff to suggest new ideas and generally become more involved in the goals of the organisation.

As we've shown in point 5, above, giving line managers the right skills and training is vital. That applies to building a good working environment as well as how to spot when an employee is struggling. Developing a positive workplace culture starts at the top – an individual's own managers will play a large part in forming their management style and determining what they think is acceptable behaviour.

10 **Companies could introduce initiatives** to motivate employees and improve happiness. The programme should offer discounts on big brands, including fitness and wellness products, and a way to reward and recognise people's hard work on a platform.

Poor workplace culture has a cost attached. According to Investors in People's *Job Exodus Report 2018*, nearly half (47%) of the 1,000 workers it surveyed plan to look for a new job in 2018. That's a great deal of recruitment cost, temporary staff costs and pressure on remaining employees, should all of those individuals follow through on their intentions.

According to the IIP, the top reason why people want to move is job satisfaction, with 48% saying that they felt they would be more satisfied elsewhere. Twenty-nine per cent also believed that their skills were not sufficiently valued. ■

EXPERT VIEW

HOW TO IMPROVE PRODUCTIVITY

Pam Whelan, director of corporate at Simplyhealth, offers some insights into tackling workplace productivity

TOMORROW'S PROBLEMS; TACKLED TODAY

The link between public health and productivity is clear. We need our employees to be at their best by maintaining their physical, mental and financial health. If they don't, the increasing range of problems will have a detrimental impact on our workforces. Depression, anxiety, obesity, strokes and liver disease are just some of the issues that need to be tackled.

As employers, we need to take responsibility and help alleviate some of the strains today to foster a productive workforce for tomorrow. The good news is, many of us are already offering benefits packages to address the problems. The pressing need is to review what we offer and make sure that it's fit for purpose.

BUILD IT AND THEY'LL COME: BENEFITS STRATEGY

In any benefits strategy, the objective should be to either improve productivity or minimise anything that might have an impact on it. Just as important is tracking the effect that your strategy has. You should therefore give as much focus to the metrics you're going to set as to how you're going to achieve your objectives.

The *Rewarding the Workplace of Tomorrow* survey shows that 83%* of respondents track sickness absence. This is great, although it could be argued that if the absence has already occurred, there's only a limited amount that can be done to influence any improvement in productivity. What might be more useful is to assess the current health situation of our workforce to predict, and therefore prevent, any problems. Around a third of respondents* already collate data from wellbeing and health benefits such as healthcare plans in isolation. Good providers will always be happy to lend support in this area, so it's an easy and worthwhile habit to get into.

HEALTH AT THE HEART OF THE WORKFORCE

Health isn't just about coughs and colds, broken limbs or diseases. It's a big part of who we are and what we're able to achieve. If taken for granted, we can lose it and struggle to recover it. Our mental, physical and financial health all need attention to keep us on track and performing at our best. As employers, we can influence the health decisions of tens, hundreds, possibly thousands of people through the choices that we make available to them. If an employee has the option to use an Employee Assistance Programme they can if they need to, but obviously if it's not on offer, there's zero chance. Our responsibility is therefore as much about providing choice as it is about getting a budget signed off.

There are a whole host of benefits that can be offered to suit differing needs and budgets.

This is particularly useful as we face more challenges with a multigenerational workforce. It's no longer the case that we can roll out a one-size-fits-all approach based on the industry that we work in. We need to cater for people at different life stages and with varying health requirements.

Technology is also a great asset in meeting modern wellbeing demands. As well as flexible benefits technology helping to display an offering in a clear and concise way, the technology offered by providers has improved greatly. For example, 24/7 access to GP services via telephone or webcam can be greatly appreciated by employees in need during a family emergency.

These advancements not only help to improve the lives of employees but can greatly reduce the administrative burden of offering benefits. As we become more and more connected, it's imperative that benefits keep up with the pace of technological change and meet employee needs in a modern way.

By offering a well-rounded benefits package as a result of a carefully crafted strategy, you really can improve the health and wellbeing of your workforce, which in turn will lead to reduced absenteeism, improved engagement and increased productivity – all of this helps to avoid the dreaded employee burnout. ■

**Source: Reward Survey, December 2017, 'Rewarding the Workplace of Tomorrow'. Respondents tracking sickness absence: 45. Total respondents: 54.*

02

FINANCIAL WELLBEING

ANALYSIS
Employers increasingly recognise that money worries can affect general health, too

CASE STUDY
Travis Perkins decided to take a proactive approach to help staff struggling with debt

VIEWPOINT
Ten top practical tips for companies to ensure their employees have financial resilience

CHAPTER TWO

FINANCIAL WELLBEING

A growing number of employers are taking steps to help their workforces cope with the effect of money worries

Please rank the following in order of importance to your company

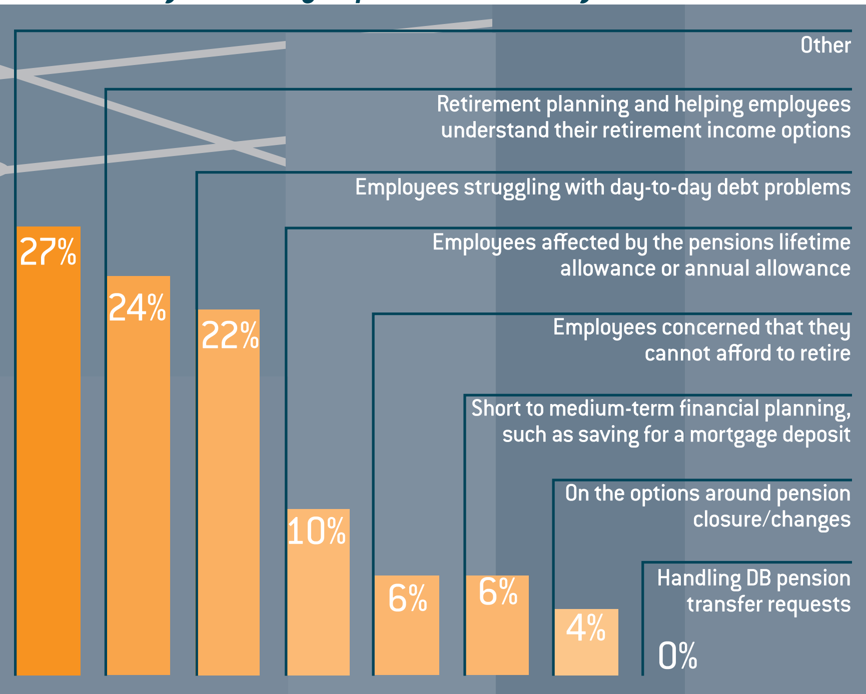
30% Reducing stress-related absence due to financial worries

28% Employees struggling with day-to-day debt problems

18% Employees not saving enough for retirement

41% of employers said that meeting future employer increases to the auto-enrolment minimum was their biggest challenge for 2018

For which of these do you provide access to financial education?



38% provide access to regulated financial advice at retirement

INFOGRAPHICS: JEN VAN SCHOOR

Top three financial wellbeing-related products offered in the workplace:

Financial education	21%
Low cost loans/loan consolidation	30%
Employee Assistance Programme	88%

61% do not analyse their workforce for financial education and regulated advice needs

82% do not have a formal financial wellbeing policy

Of those that do analyse their workforce:

Through anecdotal feedback from managers	14%
Using data from our Employee Assistance Programme (EAP) provider	12%
Using analytics from our pension scheme	6%
Using demographic data by age or grade	6%
At set points such as retirement only	6%
Other	4%
Combining analytics from the pension scheme and other data sources	0%

EMPLOYERS CAN HELP TO EASE MONEY WORRIES

People who are struggling with their personal finances are less effective at work. The Rewarding Tomorrow's Workforce survey explored what measures organisations are taking to ease the pressure on their staff. **Maggie Williams** reports

In an economic environment where pay rises are failing to keep pace with inflation, it's not surprising that the link between money worries and employees' health and work performance has come under increasing scrutiny.

To open this section of our survey we asked participants about their financial wellbeing priorities for the year ahead, asking them to rate the importance of a list of six criteria.

'Reducing stress-related absence due to financial worries' received a high rating, with 60% of respondents making this either their first (31%) or second (also 31%) choice. 'Employees struggling with day-to-day debt' was also a significant concern, with 29% rating this as their most important consideration, and 33% putting it in second place.

Age-related issues, such as employees making poor at-retirement decisions and being scammed out of their pension were considered less important, with 52% putting this in either fifth (27%) or sixth (25%) place.

Having an ageing workforce that cannot retire for financial reasons was also low on the list, with 36% putting this in fifth (14%) or sixth (21%) place.

THE TOP FIVE FACTORS

We also asked participants to rank five financial factors that will affect their company over the course of the next year, in order of importance.

'Meeting future employer increases to auto-enrolment statutory minimum contributions' was the top answer, with 42% ranking this as their most significant factor overall.

'Communicating forthcoming changes to auto-enrolment minimum contributions' was the second top response (24%). Participants were less concerned about handling defined benefit (DB) transfer requests, with 32% putting this factor in last place.

Meeting the costs of a DB scheme was only judged to be of moderate concern to respondents who answered this question. It was ranked in first place by only 19% of respondents, compared to 33% who ranked this as the third most important factor out of five, and 26% who placed this fourth. However, this is clearly a problem that is not going to go away quickly.

We also asked respondents which other factors they thought would still be a problem for them in three years' time. "The cost of the DB scheme impacting future pensions provision" was one of nine answers we received relating to legacy DB pension problems. Other concerns included "People not saving enough for retirement and blocking positions" and "Future employer increases [to auto-enrolment contributions]".

CHANGES TO AUTO-ENROLMENT

While participants are clearly concerned with the financial effects of auto-enrolment, most are well prepared for the forthcoming changes. We asked them what action they would be taking to address the 2018 contribution changes (see box, right).

A third (33%) already offered more than the new minimum rate, but will be communicating the changes to the workforce.

Twenty-two per cent said that they would be taking no action at all, suggesting that their arrangements are already in place for the changes.

Some employers are having to take more substantial action, however. Eighteen per cent said that they will have to increase contributions for the majority of their workforce, and 14% responded that they would have to change contribution rates for some employees.

Fortunately, only 2% said that they would have to reduce spend on other benefits as a result of the increase.

Additional analysis by **Savan Shah**

EDUCATION AND ADVICE

We asked participants in what circumstances they would offer financial education to their workforce. 'Retirement planning and helping employees understand their retirement income options' was the most common answer, with 24% saying that they provide education in this context.

Twenty-two percent also said that they would provide education to support employees struggling with day-to-day debt problems. However, 30% offer no financial education support at all.

We also asked participants in what circumstances they would offer regulated financial advice to their workforce. The answers show a similar pattern to our financial education question.

Financial advice provision is concentrated around the end of individuals' careers, with 'retirement planning and helping employers understand their retirement income options' the top-ranked answer (39%)

Twelve per cent would offer advice to employees who are affected by the pensions lifetime allowance or annual allowance limitations. A third (33%) did not offer any access to regulated financial advice.

Organisations have a relatively limited understanding of their workforces' financial education and advice needs. Sixty-one per cent of respondents do not analyse the need for financial education and regulated advice in their workforce. Fourteen per cent say that they used anecdotal feedback from managers, and 12% said that they use analytics from their employee assistance programme (EAP).

No-one combines data from multiple sources (such as the employee assistance programme or a pension scheme) to build a picture of their staff members' financial education and advice needs.

"Organisations have a relatively limited understanding of their workforces' financial education and advice needs"

FINANCIAL WELLBEING BENEFITS

Finally, we asked respondents what types of financial wellbeing related benefits they offer to staff. The answers showed that employers are focused on supporting staff who are struggling financially.

Eighty one per cent of participants said that they provide an EAP with debt support to their workforce, and 30% provide access to low-cost loans or loan consolidation. Although 21% offer financial education to some degree, only 12% provide financial advice funded by the employer.

Although it's heartening to see employers offering support to those who are struggling, this typically doesn't form part of a co-ordinated approach to financial wellbeing, as only 18% of respondents have a formal strategy in place.

It's clear from our findings that the two biggest issues for employers are meeting future pension costs – whether auto-enrolment, or ongoing defined benefit (DB) expenses – and supporting employees who are struggling to make ends meet. But there is little in the way of a formal strategy in place, or the tools for measuring its success. ■

AUTO-ENROLMENT: the key changes ahead

- Minimum contributions for pensions auto-enrolment will increase twice in the next two years. At present, the minimum contributions are a total of **2%,** with **1%** typically from the employer and **1%** from the employee

- From April 2018 this will increase to **5%,** with **2%** typically from the employer and **3%** from the employee

- In April 2019, there will be a further rise to **8%** in total, with **3%** typically coming from the employer and **5%** from the employee

- At present, there are no future plans to increase these contributions further still. However, it is generally acknowledged that these contribution rates are still too low to ensure a comfortable retirement for most people

CASE STUDY

BUILDING A HOLISTIC ATTITUDE TO MONEY

TRAVIS PERKINS

A NATIONAL COMPANY DECIDED IT WAS IN EVERYONE'S INTERESTS TO TAKE A TARGETED APPROACH TO THE FINANCIAL WELFARE OF ITS EMPLOYEES. **SARA BENWELL** REPORTS

When it comes to financial wellbeing it's all too easy to look at individual quick wins and lose sight of the whole picture. Not so at builders' merchant and home improvement retailer Travis Perkins, where head of group benefits Simon Naylor has big plans for holistic financial wellness.

His aim is to combine tools, education and support to create an all-round programme that supports employees at every life stage, whether that's dealing with debt, saving for a wedding or planning for retirement.

Of course, you don't create holistic financial plans overnight, and the plan was staged. The first step was overhauling some of the existing flexible benefits arrangements and tech platforms to make them more user friendly.

GETTING TO GRIPS WITH DEBT

Once existing benefits were in shape, the team at Travis Perkins used a research-led approach to determine what the next priority should be. The company suspected that many employees might be struggling with debt, but wanted to make sure. It worked with Barclays bank to survey employees and find out what mattered to them.

Naylor explains: "We looked at what was the most critical thing to do first. We've got some quite good savings products in place already… so we needed to start at the other end. We needed to help the people who were struggling either because they didn't understand the world of finance or because they'd

got themselves into some sort of difficulty and were struggling to make ends meet."

The results were startling. Travis Perkins estimates that around 2,000 employees had taken out a payday loan. More than 30% of respondents said they weren't confident making financial decisions, but didn't know where to go to get help.

Naylor says: "It was slightly worse than we expected although mainly in line with national data, which is a worrying trend more broadly.

"We found a significant number of our colleagues were using payday lenders, people had CCJs (county court judgements) and people were struggling to get on top of debt."

"We've got some quite good savings products in place already... so we needed to start at the other end"

FINANCIAL EDUCATION

Since then, the company has made great strides, particularly in ramping up the guidance and advice available. It's worked with Barclays on a financial education platform called MoneyWorks. Additional support comes from the revamped employee assistance programme (EAP) provided by Care First.

But they also wanted a product to help colleagues physically manage the debt. This comes in the form of 'fairer finance' loans provided by Neyber, which they aim to launch in February 2018. These loans are structured so that repayments are taken from a person's salary rather than a bank account.

The decreased risk of default means employees can be offered loans at rates they'd be unlikely to be offered on the high street – the most they'll be charged is 9.9%.

Support for this approach from managers has been overwhelming, Naylor says, and while it's early days he's impressed by the interest thus far.

Next on the agenda is to introduce more tools. The range is more diverse than you might think, covering everything from help writing a will and power of attorney (in 2018) to the more obvious corporate wraps and ISAs.

Core to making these tools accessible (and making sure people use them) is communications. And Naylor has interesting plans to target people at life stages. For instance, if someone is having a baby they might be prompted to create a will, an expression of wish, to start saving for education and to look at childcare vouchers.

The idea is to use data to give people holistic financial wellbeing information, but in a way that is relevant and useful. ■

EDUCATION, EDUCATION, EDUCATION

Reward and WEALTH at work surveyed more than 90 employers to learn more about their approach to financial education in the workplace. Three experts respond to the key findings and consider the starting point for HR teams that are keen to do more to help their employees. Questions posed by **Louise Farrand**

Jonathan Watts-Lay
director,
WEALTH at work

Charles Cotton
performance and reward
specialist, CIPD

Olenka Kaczmarczyk
pension and benefits
consultant, Lubrizol

A quarter of respondents say that they provide financial education for employees as they reach retirement, and 22% provide education for staff struggling with debt problems. But in many cases, there is very little financial education at any other point in an employee's life. How can employers extend the range of financial education on offer?

Jonathan Watts-Lay, director, WEALTH at work (JWL): Financial education is important in helping employees to make informed decisions throughout their career and later on in life.

But before delivering any financial education programmes it is important to consider what employees need to know. For example, when they first enter the workforce employees will need to understand everything from deductions on their salary such as tax, National Insurance and pension contributions through to the benefits offered by their employer.

It is important that employees regularly review their position so ongoing financial education at different life stages can be important. For example, those who may have been in work a number of years will need to understand if their pension savings are on track or whether they need to consider changing contribution levels to meet their retirement goals.

Ten years out from retirement there's an opportunity for employers to help employees understand their retirement income options and whether they are likely to want to go into drawdown or buy an annuity, and therefore put them on the right investment strategy for that glide path.

As well as life stages, there are annual events to consider. For example, the annual window when

employees must decide what benefits they would like to take for the coming year.

Research shows that often benefit take-up can be really low. In such circumstances, employers should assess whether it is because employees do not understand the value of the benefits or whether the benefits are unsuited to the workforce, and act accordingly.

Charles Cotton, performance and reward specialist, Chartered Institute of Personnel and Development (CIPD) (CC): First, organisations should build a business case for providing financial education. They could use research from the CIPD (which came out recently in association with Close Brothers) which shows the impact that money worries can have on employee performance, and the extent of the problem.

Employers tend to focus on dealing with the symptoms, such as absenteeism or lower performance, rather than the causes of the financial worries.

"Employers tend to deal with the symptoms, such as absenteeism or lower performance, rather than the causes"

Proper financial education and guidance sits in the preventative camp. It's about taking measures to try to mitigate the problems which can arise.

Olenka Kaczmarczyk, pension and benefits consultant, Lubrizol (OK): It's important to educate employees well before they reach retirement, to help prevent issues with debt, support them throughout their working life and ultimately to help them achieve their retirement goals.

Ideally employers should proactively offer support to all employees, not just those experiencing a crisis or retiring. This could be achieved simply by offering internal presentations offering guidance, and signposting staff to appropriate places (such as an employee assistance programme or services from the government. Alternatively or additionally, an external provider could give a presentation and/or run a series of financial education workshops.

In recent years there has been an increasing number of financial education providers coming to the market. Employers should choose one that they feel comfortable with and who is most appropriate to their needs.

It would be worthwhile, for example, for an employer representative to ask to attend a session as a delegate to help understand the value that the service could offer to their staff.

It is important for an employer to be clear to those on their workforce that they are offering guidance or education, and not advice, due to strict regulations surrounding this.

Sixty per cent of survey respondents do not analyse their workforce to understand their financial education needs, and 81% do not have a formal financial wellbeing strategy. How can companies get started when it comes to introducing financial wellbeing and analysing the workforce?

CC: It depends on how comfortable employees feel about talking about their money concerns. If they are open to this, you can run some staff workshops or set up some focus groups. »

You could run a survey of employees, or look at your HR data and consider issues such as pay or pension dependence to establish whether your staff are more likely to be more receptive to certain approaches. Of course, you can always hold physical events, or even virtual meetings. You can also make staff aware of external resources such as the Money Advice Service or Pension Wise.

It also depends on the starting point. If you are a large firm with an existing reward package, then creating a financial wellbeing strategy may be relatively straightforward.

If you are a small firm, then creating a strategy may be a longer way off and it may be best to focus on a few simple steps that get you there eventually. Taking small steps, such as highlighting to staff where they can get financial guidance –such as the Money Advice Service or Pension Wise – can be helpful.

A firm could also invite an independent financial adviser to come in for 40 minutes to give a basic financial awareness talk focusing on three or four big decisions such as making a will, joining a pension scheme, and buying a home.

“If you are a small firm, then it may be best to focus on a few simple steps that get you there eventually”

OK: It is possible to over-segment the workforce when beginning to look at financial wellbeing. During the lifecycle of an employee, they may go through many different events that affect their financial health at any given time and they may not fit neatly into a category at any given time.

Employees are also working for longer and perhaps more flexibly than previously, which can affect their life decisions. If someone doesn't have a basic level of financial education, it may be difficult for them to understand where they would benefit from assistance. Perhaps a good starting point would be a more general financial education, to help people understand where they need more support, for example, saving for a house, pension or debt issues.

This education is important to help guide employees to make appropriate financial decisions right from their first day of employment.

JWL: We have conducted focus groups with different cohorts of employees in the past and often the starting point is to talk through the existing benefits that are available, because you would be amazed at how many employees do not understand what's on offer in the workplace.

We characterise different financial wellbeing initiatives as 'push and pull' strategies. There are certain benefits that reward teams may want to push out to employees to make sure they really understand them. A good example of a push strategy might be the launch of a Save As You Earn scheme. Employers should explain what the scheme is, how it works, and what the benefits are so employees can decide whether to join the scheme.

Pull strategies probably work better on issues like debt management because you can't really say to your staff: 'If you've some debt problems let us know,' because it's a bit too personal. In this case, it's better to make digital resourcing available – so it might be simplistic steps that they could take themselves, such as debt consolidation of credit cards, through to more serious support, such as debt counselling.

Eighty-eight per cent of respondents said that they have an employee assistance programme that includes a level of debt support. What are some of the pros and cons of an EAP as a form of financial wellbeing support?

OK: An EAP provides employees with free and confidential access to telephone or face-to-face counselling. It also often gives online information for reference. It may provide management with useful information on the number of employees experiencing money worries, while not breaching confidentiality.

On the flip side, there may be a limited number of counselling sessions available. Counselling could be more appropriate for those who are experiencing issues, rather than dealing with the issues before they reach a crisis point.

Finally, of course, employees may not feel comfortable discussing debt issues with an employer-sponsored programme.

CC: EAPs can be valuable. What employer also should consider as part of a wellbeing strategy is how to help people to avoid getting into these situations in the first place. A company can try to create an environment where employees feel comfortable about talking about these issues.

JWL: EAP systems should be a safety net, rather than the first thing offered to an employee. Wellbeing strategies should be preventative; they should help employees identify if they have an issue with debt and signpost resources available. EAPs should be there if everything goes badly wrong.

Research shows that individuals with financial stress are less productive. As the EAP is often a last resort, there is a good chance the business has already suffered from a lack of productivity. Therefore, there is a commercial argument in favour of helping employees before they reach the point where they need an EAP. ■

EXPERT VIEW

MONEY MATTERS NEED CARE, TOO

Jonathan Watts-Lay, director, WEALTH at work, answers questions on financial wellbeing in the workplace

Our survey showed that employers' financial wellbeing priorities for the next year are reducing stress-related absence due to financial worries, and helping employees struggling with day to day debt worries. How can businesses fulfil those needs?

Helping employees with money management and developing appropriate budgeting skills can go a long way towards fulfilling these priorities. That's about helping employees to not get into debt, learning how to manage their situation if they are in debt, and making sure that borrowing doesn't spiral out of control.

Making a distinction between good debt and bad debt is a valuable starting point. Good debt might be a mortgage, for example. Although it is still a form of borrowing, having a mortgage is a manageable loan. It's still important, however, to periodically review your arrangements to make sure they are appropriate.

Bad debt typically involves borrowing at very high interest rates. Spiralling interest can cause further financial worries in addition to the loans themselves. In the most extreme cases, this could involve payday lenders, but it can also apply to more common forms of borrowing such as credit cards. Helping employees to consolidate debts held in different places, as well as making effective use of interest-free periods on credit cards are some simple ways to support them.

Even if employees aren't struggling with serious debt, there are still ways in which they can make sure that their pay goes as far as possible. Giving guidance on the importance of switching utility providers, for example, or shopping around for car insurance can make a big difference. There is little point in being loyal to providers as you are rarely rewarded for it. In markets such as car insurance, it's unlikely that you will get a renewal quote that is better than what's on offer from a change of provider.

A good financial wellbeing programme should give employees plenty of guidance and clues on how to take more control over their finances. But it's important to focus on ideas that are genuinely helpful. Suggesting that people give up small treats that they have an emotional attachment to – such as their morning cappuccino or a visit to the pub on a Friday night – are unlikely to engage employees. People are far less likely to be emotionally attached to their car insurance provider than they are to spending time with their friends over a drink, and financial wellbeing strategies need to take account of that.

According to our survey, the biggest pensions-related challenge for employers is meeting auto-enrolment increases (42%). How is this likely to affect businesses, and what will the impact be?

At face value, the additional auto-enrolment contributions due in April 2018 and again in 2019 are a cost of doing business. Many businesses will already have factored these into their plans, although they will hit some employers harder than others. Auto-enrolment take-up rates so far have been good and hopefully this will continue after the minimum contribution increases.

One challenge, however, has been the timing of the increases. These have coincided with other additional costs, such as a rise in business rates, the introduction of the apprenticeship levy for large companies, and the uncertainties caused by Brexit. These have combined to create a bigger cost burden for all businesses.

How do you see financial wellbeing developing in the next three to five years?

Many large companies either already have a financial wellbeing strategy in place, or they are planning one. The area where we are seeing the most development is around retirement, to support individuals as they plan how to use their pension savings after the age of 55. Financial wellbeing has been less prevalent amongst small and medium sized businesses to date, and it will be interesting to see how those employers approach this in the future. ■

WEALTH at work is a leading provider of financial education, guidance and advice in the workplace

ON THE ROAD TO RETIREMENT OR THE ROAD TO NOWHERE?

The freedom and choice reforms took the pensions world by surprise in 2014. The flexibilities suddenly put a great deal of pressure on providers and responsibility on savers. **Sara Benwell** explores the effects the changes are having

It's easy to get caught in the trap of thinking that workplace pensions have been successfully dealt with. After all, auto-enrolment – one of the biggest compliance undertakings of the past decade – has now been largely completed. And while rising contributions are just around the corner, the process (from an HR perspective at least) is relatively straightforward.

Of course, there are concerns about opt-outs as we ask employees to sacrifice more of their pay, but generally speaking, pensions schemes are set up and people are saving. They may not be saving enough, but in terms of the legislation – job done.

But what of 'freedom and choice', the reform bombshell that shocked the pensions world when then-chancellor George Osborne announced that from April 2015 people over the age of 55 could access their pensions to use any combination of cash withdrawal, drawdown or buying an annuity.

It changed the game for savers – but what has it meant for HR and reward professionals?

EMBRACING THE FREEDOMS

In terms of pragmatic steps, freedom and choice has been tricky for many HR managers. Because the decision was so unexpected, and the turnaround so fast, the reality was that most providers were ill-equipped to make any meaningful changes. So even if you wanted to give your employees all the freedom and choice in the world, it was difficult to offer them very much.

In that respect, not much has changed. There is evidence that some employers are considering offering their own bespoke drawdown solutions, but unless your pension scheme is huge, it's unlikely to be a real option.

And if you're in a contract-based or mastertrust scheme, you will be bound by what your provider is offering, which in all too many cases is a high-cost retail solution.

For HR professionals, this should be influencing the way businesses choose and review providers. Ask questions about what the plans are for offering more flexibility, and look for companies that are innovating in this space rather than just throwing your employees out into the retail market.

And if retail solutions are the only answer, it's crucial to facilitate a way for employees to shop around to get a product that works for them, rather than simply defaulting them into a 'not quite right' arrangement.

TALENT DRAIN AT THE TOP

Making sure that employees can make reasoned choices about their retirement savings may be the most obvious outcome of the pension reforms, but there are other considerations for HR, too. One risk for larger employers is that the freedom and choice agenda might lead to a drain of senior talent.

However, this is only likely to be the case in areas where final salary pensions are still the norm and the lifetime allowance (LTA) comes into play. The LTA is the maximum amount that an individual can save tax-efficiently into pensions across their lifetime.

David Pye, head of client consulting at Broadstone, says: "We've seen a marked increase in professionals leaving the workplace due to the consistent reduction in the LTA. This has been particularly noticeable where defined benefit has been in place for a large proportion of the employee's working life. Many middle to senior management roles in large corporate organisations and the public sector (NHS consultants, etc.) offering DB have been faced with an outflow of their experienced staff."

For HR and reward directors who have this problem, one answer is to look for alternatives to pensions to

help prevent the brain drain. However, it's important that this is not at the expense of a wider business focus on pensions.

In companies where the primary savings model is defined contribution (DC), the more likely outcome is dissatisfaction with pensions at a senior level. As Mark Futcher, partner at Barnet Waddingham, explains: "The impact it does have is to upset the senior decision makers within businesses, who become disillusioned with pensions and have no more personal interest. This is leading to pensions falling down the pecking order as retention and attraction tools, with senior management favouring more 'here and now' benefits."

This is a high-risk, short-term view, however, as failure to encourage pensions saving in the workforce may lead to a general employment force that is priced out of retirement.

A RELUCTANT WORKFORCE

At the other end of the spectrum, the combination of freedom and choice and low contribution rates is set to cause a real headache.

As the first DC-only savers reach pensionable age it is likely that there will be people who are trapped into working full time far beyond the age at which they'd prefer to retire.

This a real challenge for employers. After all, it's one thing to manage an ageing workforce who wants to be there, but quite another to be faced with huge cohorts of people who simply cannot afford to retire.

Futcher says: "The Joseph Rowntree Foundation suggests the minimum income required in retirement is around £13,500 per annum. With broadly £8,000 from the state pension, this means a further private income of £5,500 per annum is required – a pot of c£200,000 is required for that – much more than most people have."

Companies with substantial numbers of so-called Generation X employees need to seriously think about how to address this. Unless we can encourage these people to save more now, the reality is that businesses will be stuck with groups of disengaged and dissatisfied employees.

Communications and financial education is important here. One approach is some type of mid-life MOT assessment, as suggested by the Pensions and Lifetime Savings Association and recommended in the recent Cridland Report review of state pension arrangements.

Jonathan Watts-Lay, director at WEALTH at work, says: "It is certainly important to take a rain check mid-career to see if pension savings are on target and meet an individual's expectations. On the basis they may have been in work 20 years or so and have another 20 years to go, this gives time to adjust savings to hit their required retirement income."

However, Darren Laverty, a partner at employee benefits specialist Secondsight, suggests that mid-life is not nearly early enough. He says: "I believe we need an early life MOT and be encouraged early on to always save a percentage of income. A mid-life one will help of course, especially if it acts as a shot in the arm to save more."

The focus on the need for early education is widespread among experts. The challenge for HR professionals will be how to balance the need to encourage people to save early, with the risks of triggering opt-outs.

THE PERMANENTLY AGEING WORKFORCE

For organisations of all sizes, the long-term challenge of freedom and choice will be an ageing workforce demanding flexibility. The likely trend is that people will actively choose to work fewer hours as they get older. Indeed, this issue is wider than just pensions »

> ***"Too many retirees leave it to the date of retirement to work out what they have and whether their plans are feasible"***

and communications. And HR directors must consider that state pension ages mean many young people will be expected to work past 70, regardless of whether they might want to retire early or need to for health reasons.

Futcher explains: "Defined contribution is still not the primary driver of income in retirement, but when it is we believe part-time working into retirement will be the norm – as we see in other countries where DC is the predominant vehicle. The workforce dynamic will definitely shift."

Pye adds: "Undoubtedly the permanently increasing state pension age will affect this too, as many people wish to scale back their commitments to work before 67, but may not be able to supplement the lack of state pension income fully from their pensions and savings."

What this means in reality is that companies will need to adapt to embrace this new way of working. Those that do not may find that they have people on board who can't quite afford to retire, but want (and perhaps need) to wind down.

The solutions are not purely financial. HR and reward professionals will need to consider all the issues that come with an older workforce, whether that's higher insurance premiums, or employees who suffer more with health issues.

The second problem caused by an ageing workforce is that the complete lack of engagement on pensions means that businesses will find it very difficult to be able to plan ahead. We know employees will have (or want) to work longer. But we still don't know whether retirement will be at 58, 65 or even 95.

Here, communications is critical. Andrew Pennie, director of pathways at Intelligent Pensions, says: "Too many retirees leave it to the date of retirement to work out what they have and whether their plans are feasible – that isn't good enough to help employees make the transition safely and effectively from workplace to retirement. People expect their employer to provide effective retirement support and if done correctly, it could help employers to better manage their workforce and that tricky issue of employees staying longer than an employer expects or possibly wants."

However, Pye points out that achieving this will require greater buy-in from employers. He concludes: "I am not sure why we should only point the finger at HR teams. We often hear that HR teams would like to improve understanding and awareness, run educational projects, etc, but they want to do this for free, due to a lack of budget.

"Employers holds the key to improving understanding and employee engagement and should be doing so because of the improvements that can be made in productively and retention rates. How often are businesses looking at this when budgets and projects are set out each year?"

Freedom and choice may have revolutionised the way that individuals manage their retirement savings, but it could also have a sizeable effect on employers as well. Being aware of the unintended consequences of the legislation, such as losing senior staff early and staff being exposed to a world of financial products they do not understand, is the first step towards having a policy to deal with these issues. ■

PENSIONS: the figures tell the story…

- Pensions contributions are due to increase from 2% to 5% from April 2018
- More than eight million employees have signed up for a workplace pension since the launch of automatic enrolment in October 2012
- 70% of employees who have attend a pre-retirement education seminar in the workplace go on to request further information and advice
- One in four (26%) working adults have no rainy day savings and only 42% have access to £500 or more
- Four in 10 of those aged 18-34 do not have any pension provision, compared to one in five of those over 55 and 22% of 35-54 year olds
- 73% of UK employees will work past the age of 65; only 10% of UK employers believe their staff are saving enough for their retirement
- 36% of employees say their pension will not be sufficient for their needs
- According to Secondsight's *The workplace communication challenge* research, pension scheme communications are challenging for most HR professionals
- Over half (53%) of retirees who accessed their defined contribution pensions chose to withdraw their entire pension pots; of these fully withdrawn pensions, 52% had been transferred into other savings or investments, losing the valuable tax benefits available via the pension scheme

EASING THE BURDEN OF MONEY WORRIES

It's difficult to concentrate at work if your personal finances are on your mind. **Helen Undy**, head of external affairs at the Money and Mental Health Policy Institute, offers some ways that employers can help

We are becoming sadly used to seeing the daunting headline statistics: one in four of us are living with a mental health problem, 300,000 people with long-term mental health problems leave the workforce every year, half of us are likely to be affected at some point in our lives. And while progress on mental health has been made, there remains a long way to go. Calling in sick with depression is still harder than calling in with flu, and it's likely to be dealt with differently if you do.

But, challenging as it is, it's important that mental health at work is not left on the 'too difficult' pile. One of the best ways that we can do that is by ensuring we treat it in the same way as any other challenge facing employees at work.

Take musculoskeletal problems – up there with mental health problems as one of the major causes of workplace absence. Most workplaces will take a two-step approach to supporting employees with back pain and reducing related sickness absence:

1 **Assessing and reducing workplace risks for back pain for everyone** – adjusting chairs and desks, reducing heavy lifting or other activities that cause strain.

2 **Putting in place additional support for colleagues with existing back problems** –discussing their needs and offering appropriate adjustments.

We need to take the same approach to mental health, and it's the first step we often miss. What are the risk-factors for poor mental health in your workplace? It could be long working hours, stress, exposure to trauma – or for many, it will be financial issues.

A quarter of the UK workforce are in a financially insecure situation, where debt or a lack of savings mean that a relatively small unexpected cost, such as a broken-down car, could cause significant distress. Nearly 1.7 million people in the UK have less than £100 in savings, and eight million are over-indebted. This is taking its toll on both mental health and performance at work. At The Money and Mental Health Policy Institute our research found that two-thirds of employees who are finding things financially difficult report at least one sign of poor mental health that affects them at work, compared to 41% of those who are financially comfortable.

Employees who are in a difficult financial situation are more than twice as likely to say they have found it hard to concentrate at work, and are nearly three times as likely to have lost sleep over worry.

Financial difficulty is a significant risk factor for poor mental health at work, but there are three straightforward ways an employer can help.

1 **Build employees' financial resilience** – by providing both savings schemes and short-term loans through payroll, allowing a lower rate of interest to be offered and helping employees to avoid fees and charges.

2 **Make it OK to talk about money worries** – by including problem debt and financial difficulty in management training and minimising the costs of participation in work so that employees in financial difficulty are not excluded from social or professional events.

3 **Help employees who are in difficulty with both their health and finances** – by establishing reasonable sick pay policies, considering group income protection policies and by signposting to welfare advice where appropriate.

Mental health problems are not inevitable. While it's essential to provide support to people who are struggling now – we can also be ambitious about reducing the number of people who struggle in future.

Employers have a role to understand the risk factors for poor mental health – both those created by work and external factors – and to take steps to tackle them. Starting with some of these small, practical steps can help to take mental health off that 'too difficult' pile. ■

03

TECHNOLOGY AND REWARD

IN NUMBERS
Infographic showing employers' responses to the survey on tech and benefit offerings

ANALYSIS
Communications and data gathering – and the barriers to a more effective use of tech

FEATURE
Personalised data can help a company understand the ROI on the perks for its staff

SPONSORED BY:

CHAPTER THREE

TECHNOLOGY AND REWARD

Employers are getting to grips with the opportunities offered by benefits technology

How do you communicate with your staff about benefits?

Via email	93%
Face to face	55%
Messages from a single system	37%
Paper statement	30%
Other	27%
Messages from multiple systems	20%
Social media	20%
Online video	10%
Using app(s)	5%
Via text	5%

How often do you communicate?

49% communicate on demand

2% communicate weekly

Three biggest barriers to investing in benefits technology:

60% Cost

43% Justifying return on investment

35% Other HR projects take priority

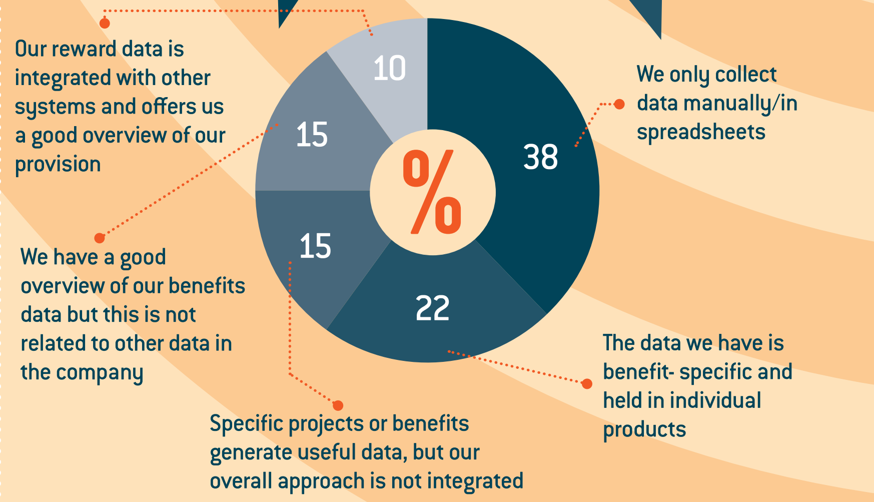
7% There is no barrier

INFOGRAPHICS: JEN VAN SCHOOR

“We have never run any form of benefits campaign other than informing staff of changes in our internal news”

“Face-to-face communications means we are able to answer questions easily”

How is reward-related data collected?



What are your two biggest data priorities for next year?

1

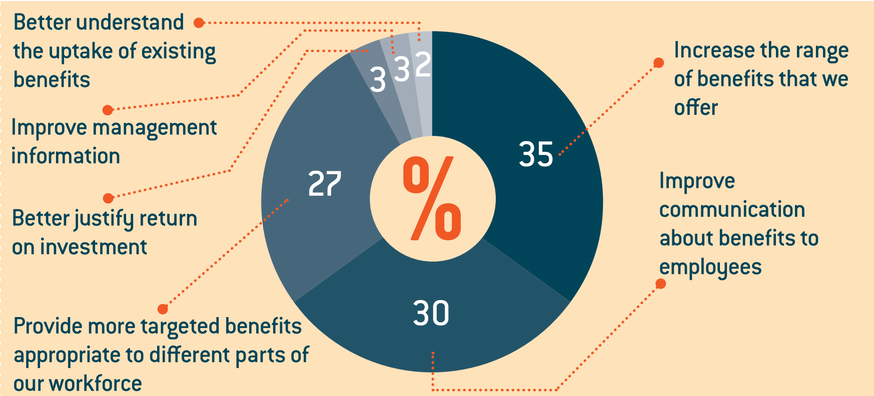
35% Use data to identify future reward needs

2

Improve the quality and accuracy of our data **30%**

30% Improve integration between different systems to reduce administration

If money were no object, what would be your highest technology-related priority for the next year?



32% said that providing a great employee experience is the top advantage of using benefit technology

PLEASE KEEP UP AT THE BACK...

Maggie Williams delves into the survey findings and highlights some key trends

This section of our survey focused on respondents' views on how technology and reward can work together to drive communications, improve data collection and integration, as well as supporting the range of benefits on offer. We also asked about key barriers to technology adoption.

We asked participants how they communicate with their workforce about reward and benefits. Email was far and away the most popular method, with 93% of respondents using this approach. Just over half of our audience (55%) use face to face, either on an individual basis or in groups, and 37% use messages from a single system such as a flexible benefits platform.

Those figures show that traditional ways of communicating with the workforce still form the backbone of sending reward messages. However, newer approaches, such as using social media are beginning to attract HR directors' attention, with 20% saying that they use this as a way of communicating. Techniques that are aimed at mobile users – such as texts and apps – proved much less popular, with only around 5% using each approach.

Sixteen respondents used 'other' methods outside our standard list of options. Of those, 75% used intranet or internal websites, with this being the most popular method for 28% of those.

Frequency of communications also varied across our survey results. Almost half (49%) favoured an 'on demand' approach, with 20% of respondents saying that they are in contact with staff about benefits on a monthly basis. Fourteen per cent communicate quarterly – and a further 15% only get in touch with staff about reward on an annual basis.

We also asked respondents what forms of communications or campaigns have proved particularly successful. Three key areas stood out from among the answers we received. Internal communications platforms, including staff emails and internal or intranet news services were the top group of answers that we received.

Respondents also said that face-to-face approaches, where staff can ask questions and answers can be tailored to individuals' needs, were very effective. This included workshops, roadshows and public meetings. Internal poster campaigns, and also internal social media approaches were also judged to have worked well.

BARRIERS TO INVESTMENT

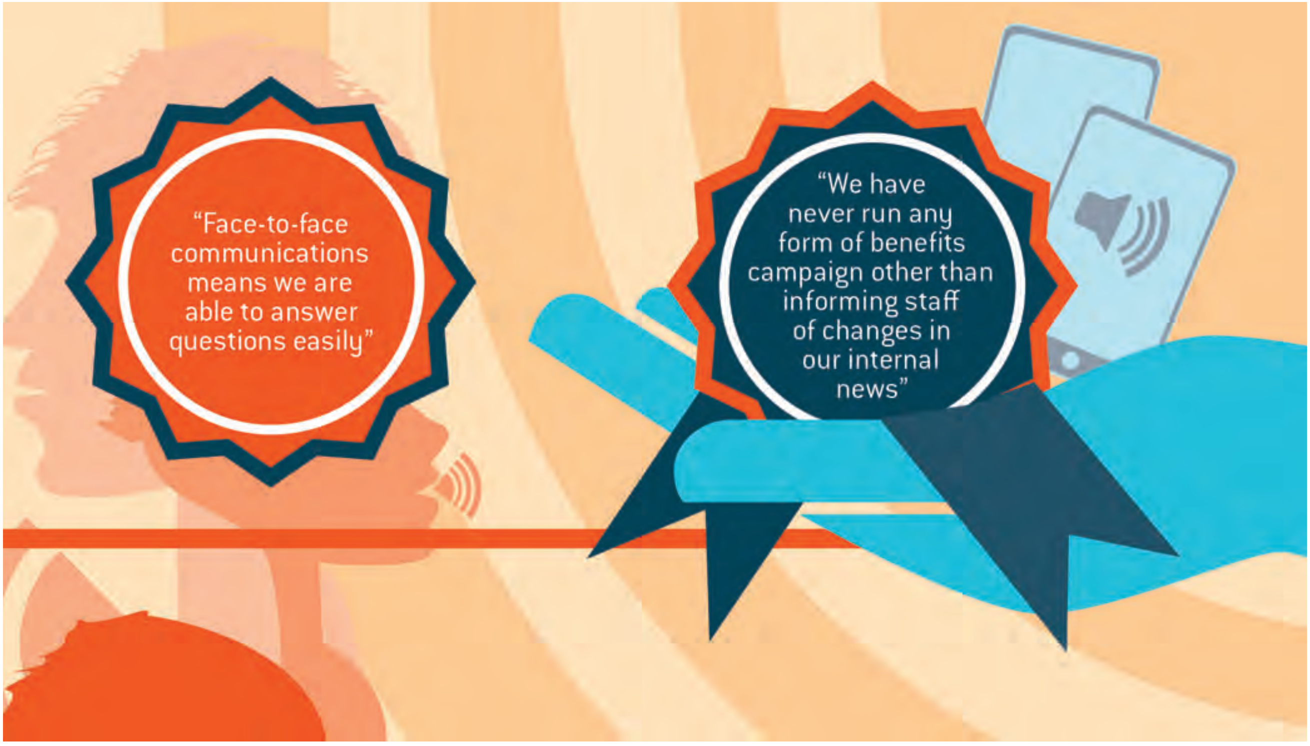
We also asked respondents about the barriers to investment in reward technology. The top two reasons – cost (60%) and justifying return on investment (43%) are both financial concerns. Other HR projects taking higher priority (35%) was also seen as a limitation.

However, poor understanding of what technology can achieve isn't considered a problem for many firms. Only 16% felt that a lack of understanding at board level was limiting investment in reward technology, and a mere 3% felt that a lack of knowledge at reward team level was a barrier.

One in ten felt that their reward offering did not justify any further investment. Other responses to this question cited system security, lack of manpower and company size among the barriers facing further investment. Two respondents also said that the type of technology or system that they want for their business just isn't available.

Our respondents' methods for recording reward data are still relatively simple. Thirty-eight per cent only collect data manually or in spreadsheets, and a further 22% said that any data that they do collect is specific to a particular benefit, and is held in an individual product related to that benefit.

Additional analysis by **Savan Shah**



While 15% felt that they have a good overview of their benefits data, they said that this was not related to data held elsewhere in the company. Only 10% felt that their reward data was well integrated with other systems and able to give the company a good overview of their provision. Of those that were confident that their data was well integrated, 50% had between 1,001 and 2,000 employees and were part of a company with more than 10,000 staff worldwide, suggesting that benefits systems in these organisations may be part of a global approach to reward.

Respondents' priorities for the next year are focused on using data to identify future reward needs (35%) and to improve integration between different systems, with the aim of reducing administration (30%). Thirty per cent of respondents also said that improving the quality and accuracy of data would be a priority during 2018. However, 16% had no plans to further develop their data collection and analysis.

At present, very few respondents segment their workforce when communicating about reward – only 28% do so. However, 13% said that they do segment by seniority and 6% by age.

The general trend of one-size-fits all communications is also borne out by the fact that only 3% respond to life events such as the birth of a child in their communications and a mere 7% personalise communications based on individuals' preferences. Those that do use segmentation of any type were also more likely to use face-to-face communications (70% compared to 55% for the respondents as a whole) and also less likely to use email (86% compared to 93% overall).

"Traditional ways of communicating with staff still form the backbone of sending reward messages"

The ways in which communications are segmented are fairly rudimentary. The most common approach was varying the channels used (such as paper or email), which applied to 69% of those who answered this question.

One in four (41%) offer different benefits to different groups of workers, and only 19% give varied messages to different groups about the same benefits.

BENEFITS OF TECHNOLOGY

We asked respondents to rank seven benefits of reward technology to their organisation, in order of importance. 'Provide a great employee experience' was by far the most significant factor, with 61% of our audience ranking this either first (32%) or second (29%) in order of relevance to them.

Effectively communicating the benefit scheme to employees was the second most relevant factor » with 52% ranking this as either the first (27%) or second (25%) most important consideration. Of less relevance were attributes such as accurately monitoring tax and national insurance savings (27% said that this was the least important factor) and ensuring compliance with legislation such as auto-enrolment (21% ranked this last).

Reducing administration was ranked as a mid-range factor by most participants (63% put this between third and fifth place), as was gaining a better understanding of how the value of each benefit improved the overall reward offering (61% ranked this between third and fifth).

Surprisingly, improving data accuracy and reliability was also low on respondents' list of priorities, with 56% placing this fifth or lower out of the seven criteria.

> *"Surprisingly, improving data accuracy and reliability was also low on respondents' list of priorities"*

NO HOLDS BARRED...

It may be an improbable dream, but we asked respondents what their highest technology priority would be, if money were no object. Our highest-rated answer was increasing the range of benefits on offer (35%), followed by improving communication about benefits to employees (30%). Providing more targeted benefits to different parts of the workforce (27%) was also a popular choice. However, even with unlimited funds, very few respondents felt that they would spend on improving management information (3%) or better justifying return on investment (3%). A mere 2% said that they would spend freely to better understand the uptake of existing benefits.

Overall, our survey results show a mixed picture, with cost remaining the biggest barrier to the future development of benefits technology.

HR respondents are still struggling with the challenge of justifying return on investment, or are finding that other corporate projects are being given a higher spending priority.

For the most part, data collection and analysis still relies heavily on spreadsheets and manual processes, with siloed data held in disparate benefits systems also holding back progress.

But even if money wasn't an issue, respondents still felt that their attention would be focused on improving the range of benefits that they offer, rather than creating a more personalised or data-rich benefits environment.

However, among those companies that have run innovative communication campaigns, the feedback has been positive. ■

CAMPAIGNS THAT REALLY WORKED :
Three respondents described their communication campaign triumphs to us:

One respondent from a utility provider with a workforce of more than 1,000 said that they had recently introduced a new benefits platform to hold a range of benefits, including cycle-to-work schemes, childcare vouchers and wellbeing benefits, and that they used this for communicating with employees.

Another respondent from a global professional services organisation with more than 10,000 staff said that they had used a recently-launched benefits platform to communicate salary reviews and bonus payments, with great success. Some of the benefits included saving paper (by not having to print more than 1,000 letters), and ensuring that everyone received the same information at the same time. "This was very effective," the respondent said.

A third respondent from the hospitality sector with between 1,001 and 3,000 staff described a wellbeing week that they had run as having been particularly successful. The company had used posters and email to promote the day, a third-party doctor came in to offer health checks and deliver presentations on topics such as wellbeing at work and absence management.

KEEPING BENEFITS FIT FOR PURPOSE

ATOS

A REWARD STRATEGY MORE ALIGNED WITH STAFF HEALTH HAS BEEN THE AIM OF THE IT SERVICES FIRM, WRITES PETER CRUSH

At information technology services firm Atos, it already knows a great deal about its 9,300 staff. Their average age is 43, there is a 60:40 male to female split, and around 90% work online. But the one data point it was less happy about was the fact that after its 2013 employee survey, only 35% said their benefits offering was favourable.

At that point the business was using a portal called iChoose, but Cassandra Gallot, head of reward, UK and Ireland, wanted a platform that would work better for staff and create more satisfaction, but also start a process towards more data-driven decision making.

"We're not there yet," she says, "but what we do have is a plan in place that will take us to 2019, and which by then should give us the ability to use data to drive our benefits strategy."

What started the process off was replacing iChoose with ATOS's 'Prosper' employee engagement (rather than 'benefits') platform, powered by Reward Gateway, in 2014. Gallot says: "The original aim was to address pinch points – the fact staff wanted more benefits choices, but also that they wanted to access the portal from anywhere – on their mobile or tablets."

She adds: "This alone saw us achieve 90% staff registrations within the first year – which has stayed at this rate since. The new benefit additions have mainly been voluntary – and so far more than £3m has been spent by staff, saving them £300,000 – but we've also added Reward Gateway's SmartFit option allowing staff to buy discounted gym membership or home health equipment, an online GP service, and discounted technology equipment through payroll."

Now that this has been set up though, it's the next, data-driven phase that Gallot wants to pursue. "This year we'll be introducing a benefits management tool which we intend to use to send segmented communications and finally be able to do enhanced return on investment," she explains. "This will be through specific data analysis."

Gallot says she's already started measuring year-on-year uptake of benefits, but at the moment, she can't overlay this with any other HR systems. This will change though, as the next phase of the project starts.

"This will help us get under the skin of our reward strategy, and the goal is to anticipate reward options. The next biggest gain to be made will be using this to inform changing our benefits strategy according to how the organisation changes."

Although this next phase is about to start, Gallot says she already has data that's already proving the ROI of key benefits. She says: "The fitness benefits were added because we were seeing an increase in our sickness absence rates. Since implementing them, and changing nothing else, in 2017 compared to 2016, we've had a 13% reduction in absence.

"More than this, we've also seen an 8% improvement in our people saying our benefits are working for them – which we know has improved our engagement scores." ■

MAKING TECHNOLOGY WORK FOR YOUR BUSINESS

Two experts offer their views on how to get the best from your benefits technology – and we offer some top tips on best practice when it comes to working with a provider

Nick Court
director,
Cloud9 People (NC)

Nick Kjelgaard
partnership director,
Zest (NK)

How can HR professionals use benefits technology to improve visibility of return on investment and drive better decision-making?

Nick Kjelgaard, partnership director, Zest (NK): Sophisticated decision making and driving ROI with benefits technologies can be achieved with the smarter, more agile processing of information. If you look at an organisation where there is no benefits technology in place, how are they collating data and communicating benefits?

Invariably, it's an employee going and talking to the HR representative or, perhaps, in a smaller organisation the finance representative, and saying: 'What is there for me?' That's burning time for the employee as they haven't got the information they need to hand. It's also impacting on the individual(s) looking after the benefit scheme, as it's time consuming to sit and talk through generic information. Decisions must then be recorded - so if an employee wanted to join a bike scheme or they chose to opt in for private medical insurance. All this data needs to be held in a form that can be sent to each benefit provider, and payroll to make any associated deductions. Typically this requires high levels of effort to maintain, and poses a high level of risk associated with human error.

By putting technology in place, suddenly you're limiting the amount of human intervention required. With systems talking to each other, and benefit data distributed automatically, you're minimising the risk of human error. Ultimately reducing extensive workloads from people, providing more time for business critical activities. You then start to see improvements in processes and productivity within an organisation.

Nick Court, director, Cloud9 People (NC): Reward and benefits can sometimes be

managed in isolation from a wider HR team, even though the impact on people and employee experience by this one area can be massive.

HR as a department will be looking at a lot of transactional stuff and longer term strategic issues, often around people performance and change agendas. Benefits are often not seen as directly linking to short-term problem solving and the longer term strategy.

Integrating benefits as a strategic solution and not as a nice to have is key here, understanding that benefits technology is more than a discounts platform.

We have seen company pensions in the news recently, and not for good reasons. That is a stark illustration of how not taking benefits seriously can have far reaching business implications so they absolutely need to be on the HR agenda.

Does benefits technology sometimes take a back seat compared to other HR projects? If so, why?

NK: Most organisations recognise the need for benefits technology. Pensions auto-enrolment drove a lot of change within the market, a few years back. At that point companies of all sizes had to offer a pension scheme, and therefore a benefits package of some description - even if that simply equated to a salary and a pension.

But across the course of an HR department's year, there are so many projects – whether it's salary review, appraisals or bonuses. Which take up a lot of time. Naturally, benefits take a back seat while those projects are being undertaken. HR departments will also ask themselves whether they really need another project to complete, and another system to put in place. Ultimately this reluctance can often boil down to the lack of an importance resource: time.

NC: Often the people data in benefits technology is sitting with the reward team and is not viewed by the wider organisation or even the wider HR team, this means that a large chunk of really good information is not being used.

The data tells you so much more than simply take up statistics. Understanding what benefits employee demographics take up will enable you to make better benefits decisions, but understanding this in relation to broader data is far more useful and will lead to actionable insights that reach beyond the benefits scope.

Linking wellbeing benefits data with sickness and absence data can let you see whether what you are offering is making a real difference for employees and the company rather than just being a recruitment and retention tool – understanding this value and how it directly impacts performance will make it real for non HR people.

Is implementing benefits technology too cumbersome? If so, what can be done to improve this?

NK: Historically benefits schemes have taken months to design and implement, but there isn't really a need for that to be the case now. I think it's about time that benefits technology providers focus on reducing the time and effort that's needed to implement new technology. By reducing implementation time down from months to weeks or days, all of a sudden the effort and time required can be slotted into a quieter point in HR's working year. Overall, it's having less of an impact because it's much simpler and easier to put in place.

That same principle also applies to keeping technology and benefits fresh. Technology should have a host of capabilities now which allow us to configure and implement a new benefit within minutes rather than within days. Which is not only » critical to being able to put a scheme in place, but also keeps it alive as you progress through a benefit scheme's lifetime.

Organisations have often bought into having a benefits scheme in place. They've spent time, money and effort in putting the scheme in place but have just thought: 'Okay we're done now, and we'll just let that run' or lack the time needed to keep interest levels high. You then invariably see that in year one people are excited, and take up looks promising, as it's something new. But if there's no further development, with communications, tailoring of benefits or simply reviewing what's working. Then in subsequent years employees quickly lose interest. Your technology should provide you with the tools to easily keep the scheme alive. Whether it be insights, communications tools or just notifications.

"You've got to keep the scheme alive so that people are interested in annual enrolment or during the year"

NC: Employee Benefits technology is by its nature designed to try and touch as many of an organisations employees as possible to realise the values of the benefit being offered.

With benefits ranging from healthcare, company cars, discounts, pensions and more we see employees having to cope with multiple platforms and contact points just to access the value of these schemes.

Implementation and change will mean communicating to a large number of employees and getting this communication right is vital to ensure the whole experience is a positive one.

Working with a great provider to have as much as possible in one employee touchpoint simplifies so much of the implementation and communications process. ■

Top technology tips...

Getting the relationship right with a benefits technology provider can be the difference between a good and great system. Here are some best practice tips

- **Get your strategy right.** The best technology in the world can't help if you are not clear on what you want to achieve and how you will measure success. Make sure you have clear objectives and have clarified how these fit with broader business goals. And, don't be tempted by 'me too' solutions – just because something works for a competitor, doesn't mean it will work for your company.
- **Plan for the future.** Reward technology might not evolve at the same break-neck pace as consumer technology, but creating a roadmap for a one, three and five year horizon will make sure that you can manage costs and implementation, as well as keeping your approach up to date.
- **Talk to suppliers. A lot.** Don't assume that big is automatically best – there are plenty of innovative companies in the benefits technology market that may be right for what you need. However, it's unlikely that anyone other than the largest companies working with the biggest vendors will be able to, or need to, create a bespoke system. Make sure you know what your critical task-list is, but beyond that be prepared to be flexible on functionality.
- **Be open and honest.** Working with a supplier is a two-way relationship. If you have concerns, it's better to raise these as early as possible and talk them through to find a solution. While service level agreements are essential, should something go drastically wrong, these should be there as a last resort, rather than forming the basis of the relationship.
- **Keep going.** Introducing new benefits technology is a great opportunity to remind staff about what the company has to offer. But a single big-bang of publicity when the system launches without any follow-up will soon see employees lose interest. To make sure that you continue to get the most out of your technology investment, plan for promotions and new features on a regular basis.

EXPERT VIEW

MAKING IT EASY TO MOVE FORWARD

Maggie Williams talks to **Nick Kjelgaard,** partnership director, Zest, about overcoming the barriers associated with benefits technology

WHAT DO YOU SEE AS SOME OF THE KEY BARRIERS TO BENEFITS TECHNOLOGY?

Feedback tells us that the initial outlay of setting up benefits technology – as opposed to ongoing fees – is the biggest deterrent, particularly for small and mid-sized organisations. It can cost upwards of tens of thousands of pounds for really complex systems.

Those initial set-up costs may also have put off companies of all sizes from carrying out market reviews and exploring what other providers can offer. With an existing provider, the cost is concentrated on the ongoing licences, whereas switching to a new provider will incur upfront costs as well.

HOW IS COST ACTING AS A BARRIER?

Getting buy-in at senior level to invest in new technology can be a major challenge. Sometimes that will require collective commitment from a board, but in the case of a smaller company, that decision may rest with a single individual. Budgets may be tight, and the initial one-off cost may be hard to justify.

HOW CAN BENEFITS TECHNOLOGY PROVIDERS AND HR PROFESSIONALS COMBAT THESE ISSUES WHEN THEY'RE LOOKING TO INVEST?

There are a number of factors for both sides to consider. Technology providers could review their charging structures, and in particular initial up-front fees that are deterring businesses. They could also design technology so that it can be set up more quickly, resulting in a smaller cost to the provider and therefore a lower charge for clients. Creating standardised packages that are easy and simple to implement could also help to drive down costs. Users should be looking at a set-up of a few weeks for complex schemes, not several months.

From an HR perspective, it's important to analyse the true cost of benefits practices. There are often unseen expenses, such as the cost of administrators, inefficient processes or poor integration between systems that create additional work. If you add up those hidden costs over the course of a year, they can be quite considerable. Then, it's a case of assessing whether a change in process, or an investment in technology, could bring those costs down and free HR staff up to complete other tasks.

HOW IS A LACK OF DATA INSIGHT IMPACTING HR PROFESSIONALS?

We're working in a world that's forever changing and people are becoming used to new ways of interacting with technology in their everyday lives. One simple example would be the technique that streaming services such as Netflix use to recommend similar shows to someone, based on the content they are already watching. That is a much more efficient way of finding your next box set than starting a search from scratch every time you want to find something new to watch.

In a benefits context, that is analogous with using the data that you hold for your employees to look at trends. Those can act as an indicator of future needs and help HR professionals to decide whether they have the right types of benefits for individuals and for the business. It can also help to answer questions such as whether staff are aware of the benefits that they have available to them. Helping them to see choices that other people similar to them have made could also be useful.

Those trends can then be used to start to drive uptake through targeted communications. HR could send prompts to certain employees to help them understand what's available and how it can benefit them. That in turn can be used to explain the true value of the benefits package that they are receiving.

It can also help employers to understand whether their benefits offering is competitive in comparison to others in their market and therefore support recruitment and retention.

Overall, better data insight will help HR professionals to create a road map for their benefits planning. It can enable them to keep their scheme relevant and valid by assessing what might be attractive to employees for the future, and also understanding whether existing benefits are still relevant. ■

zest.

JOIN UP THE DATA DOTS TO CREATE A PICTURE OF REWARD

The days of one-size-fits-all benefits are long gone – people expect tailored benefits packages. As **Peter Crush** explains, technological advances mean that this is not only possible, but the return on investment can be measured, too

You know things are getting serious in the often-separate worlds of data and reward when there's enough joint activity to at least see a trend. In the summer benefits consultant giant Mercer entered into a strategic alliance with compensation management software provider PayScale to develop what it calls 'innovative compensation and workforce data products'. In other words, it's technology looking at least one aspect of reward – pay (plus bonuses) – from a hard data point of view, to help organisations understand how changes in this affect the return on investment (ROI).

Then came Deloitte, which in November announced it had acquired Bug Insights, the rewards optimisation and analytics company. Deloitte says this will enable its clients to determine what their employees value most from their rewards programmes to provide the best bang for their buck.

According to Erica Volini, principal, Deloitte Consulting, the partnership it has created can't come soon enough. "Organisations need strategic management of their total reward programmes," she says. "Traditional compensation and benefits decisions aren't cutting it. It's the power of data that really needs harnessing for rewards programmes to become a strategic enabler."

Volini isn't the first to bemoan the idea that the reward function lags far behind others when it comes to using data to decide which perks to even offer, what take-up they get, and what organisational value they help bring about – be it in terms of improved retention, engagement or performance.

But, as business conversations lean more towards human capital management, she argues it's something they can no longer afford to avoid. As Deloitte's Mike Niciforo puts it, reward needs to be re-seen as an investment. Only then, he argues, can firms know they have "the right rewards that not only motivate their current workforce, but also help plan for the needs of the workforce of the future".

It's all certainly a big step up from either the instinctive or the me-too approach many firms still take. "Reward professionals don't often come to their benefits choices from the right starting point," argues Ruth Thomas, senior consultant at Curo – which uses software to help organisations relate their incentives plan spent to motivation and performance.

"Often certain perks are provided because historically, they've always been offered, or it's because competitors offer it, rather than because firms have actually asked staff what they want, or have worked out what creates real behavioural – and ROI-measureable – change."

A problem, she accepts, is that much of the reward-data narrative can appear to be very big business in audience (and cost), with the implication it's not what many SMEs have the ability to look at. "The phrase big data has certainly scared a lot of people off," she says, and to some degree she is right.

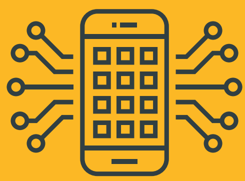
Neil Morrison, HRD at Seven Trent, and author of the Change-Effect blog, recently did some back-of-an-envelope calculations, and concluded that only one in five employees work in organisations that have the scale required to run predictive analytics.

Recent research by the Reward & Employee Benefits Association (REBA) also found 90% of reward professionals still use generic spreadsheet software (such as Microsoft Excel) to manipulate their data, limiting themselves to only basic analysis and actionable insight on their benefits package.

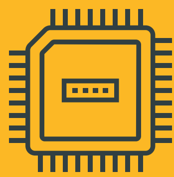
The capabilities are out there

So where can they start? Providers such Capita, Thomsons, Willis Towers Watson and AON all offer portals that pull together all the various pools of data

A PwC study found that **72%** of business leaders believe AI is going to be a fundamental part of the workforce, many deeming it a business advantage

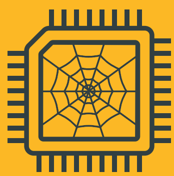


Over **50%** of the UK workforce use their smartphones for at least one work-related business activity, according to research from Deloitte



75% of hiring and talent managers use either applicant tracking or recruiting software to improve their hiring process

64% of employees say their mobile devices make them more productive in the office



47% of companies have HR software that is more than seven years old

Spending on cloud-based HR software is growing faster than that on installed or on-premises software, and is approaching **50%** of HR tech spend

that exist with businesses, to try and make sense of it and create relationships between data points about how reward links to performance and retention. However, they admit they're not able to provide the panacea many may dream of.

"It sounds counter-intuitive, but take-up of benefits is always the wrong driver to measure," says Jeff Fox, senior benefits consultant, Aon. "There's rarely – if ever – 100% take-up; even free health checks only generally produce an average 5% response. The problem is that relationships are hard to pin down."

He suggests that adding one benefit, or changing it, and then linking it to changes in the business can be hard. "What we suggest," he says, "is to use our technology to benchmark not only what firms offer compared to their competitors, but also compare how firms' own demographics are rewarded compared to the same demographic, but from other sectors. This then builds a picture of what sort of reward could work, and with whom."

Andrea Piacentini is head of reward (Europe) at Standard Life, and agrees with this assessment. He says: "What's possibly better is to look at the broader picture – about how employee experience is key, and how in this context, it's the link between reward and how people feel that maybe matters most."

> ***"Reward professionals don't often come to their benefits choices from the right starting point"***

He adds: "Companies can throw a lot of money at adding more elements to reward, but it won't move the dial unless they link it with how it changes the employee experience."

Even though Standard Life offers a flexible benefits portal, Piacentini argues most on the market are "generic" and "unexciting" and he argues the concept of the benefits allowance will come back again.

"It sort of went away as flex came in, but I can see this resurfacing again, because it gives more choice to staff," he says. "The fact is, individuals have too many individual interests or needs at different points in time for employers to think of everything."

Without doubt the trend for employers to feel they need to offer increasing amounts of reward options – those that suit employees' needs as and when their personal circumstances change (like having children, buying a home, etc.) is certainly making the task of creating data-driven reward more, not less, complicated. A Smörgåsbord of perks will almost certainly not offer traditionally-measured good ROI – however, it all depends on what employers think creates 'value'.

Defining value

Pure take-up rates may well class a particular perk as a 'cost' – but that's not the real world. If that benefit could be rated as providing more 'goodwill' or additional employee engagement, it might be a cost worth paying. It's similar to how supermarkets have deliberate loss leader products to entice shoppers in, and create/consolidate brand value. Could this type of value be attached to rewards?

Some do believe it's possible. Benjamin Viney is a senior consultant at Willis Towers Watson, and is a firm believer reward professionals can tailor their reward programmes according to different employee segments, and measure their impact. "We know the one-size-fits-all approach no longer works; and we also know staff want personalisation," he says. "Our own research shows 70% of staff want to be treated more like consumers."

The solution he suggests is what's known as 'conjoint analysis': "This is where our software will literally ask staff what benefits drive outcomes for them. It's more descriptive than simply doing an employee survey, because our tool is adaptive, and asks different questions depending on how they answer the ones before that."

According to Viney, taking into account what's important to employees by directly asking them is highly accurate. "The psychometrics sector is predicated on people's own answers generating correlations," he says. "We feel we're able to say with a certain amount of confidence that a particular set of benefits is able to create x-level of satisfaction and engagement. And, as we all know firms with highly engaged employees outperform those who are less engaged."

Adding productivity ROI into the mix is, he argues, the next stage. He says the technology is not there yet, but he too agrees that good reward strategies are all about the employee experience. "I think we'll see a move away from total reward statements to online platforms that create more of an ongoing conversation with staff about their reward, and how they could be getting the most out of it," he suggests.

"Employees want a single place where they can go to for everything they need. From a data point of view, a single platform amalgamates all the various different data silos, and once they're together, that's when you can start asking ROI questions."

Where companies could gain an initial quick win with experimenting with data analysis is by offering more voluntary benefits. The cost of offering them is practically nothing, but the effect on engagement scores can start to be looked at, which could prove a commercial case for adding those that do actually cost money to provide.

Offering voluntary perks is the strategy IT services firm Atos is pursuing (see case study, p47), under the oversight of its head of reward (UK and Ireland), Cassandra Gallot.

She says: "It amazes me that reward professionals have not been as fast as they should be to embrace reward analytics."

She adds: "I think there's a perception that data is difficult; I also think there's low knowledge about who the providers are and what they can offer. A big part of our work has been setting up how data silos can talk to each other, and these providers can do this for you."

The good news is that Willis Towers Watson's recently published *Benefits Trends Survey* reveals 69% of respondents intend to review their benefits strategy to better influence employee behaviours.

Some 27% do think there is a lack of data to measure results, but awareness of this (and arguably a desire to improve this), indicates reward professionals do now want to catch up.

Maybe 2018 is the year data-driven reward strategies start to take off. The technology is there. Now all that's needed is bravery to give it a go. ■

"It amazes me that reward professionals have not been as fast as they should be to embrace reward analytics"

CASE STUDY

UNILEVER

Do you believe it's hard to attach data to certain reward options? Provider Gympass is challenging this. It recently partnered with Unilever (Brazil), with a full-scale wellness programme. Not only has it achieved 70% take up, data from attendees has been turned into real-time insight. Pietro Carmignani, UK country manager, Gympass, says: "We've calculated a ROI of €6.41 for every euro invested in the programme. We've also been able to report a 178% increase in employees who exercised regularly, and a 50% decrease in the population considered to be a high health risk, as well as a 50% decrease in smokers."

TAKING BIAS OUT WHEN SEARCHING FOR THE BEST

Silicon Valley-based Knack, which uses gamification to help employers look for potential talent, demonstrates how traditional practices are being transformed. **Kimberley Dondo** talks to its chief growth officer, Mahesh Venkateswaran

HOW DID KNACK START?

Knack's founder Guy Halfteck was at Harvard finishing his PhD in law. He had applied for a couple jobs, including at a hedge fund, where he went through a lengthy evaluation process, followed by a long wait for the results – and then he still didn't get the job. This led him to question the interviewing process. He knew that because he had been to Harvard he was fortunate enough to be offered interviews, but what about someone who was equally well suited to a role and didn't possess an Ivy League education?

Humans are born with natural abilities and talent. But systems of bias creep in at different points, whether it be your school background, your gender, race or other factors. Traditional recruitment involves a lot of information, such as how a candidate answers interview questions, how they dress and how they speak, that are open to subjective bias.

Unless you can find a way to overcome those ingrained perceptions, it is hard to solve the two challenges of enabling an individual to build confidence in what they can accomplish, and of reducing bias in the system so that individuals are recognised for what they can really bring to an organisation. With Knack, employers can get greater insight into the potential, personality traits, value and behaviours that a candidate possesses.

WHY IS TACKLING THE ISSUE OF BIAS USEFUL?

Global organisations are becoming more dispersed, agile and collaborative. The skills and talents that were prized 20 years ago are different from those required by the modern workforce. But organisations still do not really comprehend the potential of their employees and how they can fulfil those new roles.

There are also situations where traditional recruitment methods just won't work. For example, the city of Berlin has been using Knack with refugees to help to place them in appropriate roles. Most refugees have no past records or a resumé, so a tool like Knack is useful in assessing what strengths and abilities they have.

HOW DO THE GAMES WORK AND WHAT ARE THE OUTCOMES?

The team that designs the games at Knack includes behavioural and data scientists, software and game developers, game designers and artists. They look at hundreds of variables during game play, such as how long you hesitate, what part of the screen you touch, the moves you make, and many other things. They collect multiple pieces of data every millisecond.

That starts with basic traits known as Knacks. The games try to identify these Knacks. Those knacks can be put together to form super-Knacks. The games only take 30 minutes to complete and from that an employer receives a candidate's full character profile.

Employers can find desirable employees for their organisations by selecting certain Knacks and super Knacks which are suited to the desired role. The programme then selects the game that will reveal candidates with the Knacks or attributes that are desired. Employers will instantly be able to get access to a large number of candidates in a short period of time. It is cost effective, scientific and has no bias. Everyone is measured on the fundamentals of their skills and traits.

WHAT SUCCESSES HAVE YOU HAD?

Knack is now five years old. The platform has been used by half a million users across 120 countries, with no marketing. It is expanding into emerging economies such as China, South Africa and India, and has worked with large organisations such as Shell, AXA Group and Swarovski, which have all noted an increase in their recruitment efficiency and productivity.

There is less value being put on academic background, but the individual's potential to perform successfully instead. ■

04

FUTURE TRENDS

FEATURE
One size does not need to fit all when dynamic digital data can provide personalised benefits

ANALYSIS
Flexible working is popular, and offers an opportunity to improve the work/life balance

COMMENTARY
As 2018 gathers pace, industry experts explore the trends that are defining the year

NEVER FORGET EMPLOYEES ARE CONSUMERS, TOO

When it comes to attracting and retaining members of staff with benefits via a digital platform, employers and providers need to consider everyone as customers first and foremost, writes **Kimberley Dondo**

The majority of people in the British workforce sort out much of their personal lives online. There is a dynamic digital platform for everything from banking on the go to managing a household via an app, so it is only natural that people expect benefits platforms to provide the same user experience that they are familiar with as consumers.

James Akers, head of product management at Thomsons Online Benefits, says: "It might once have been considered unrealistic for enterprise technology to keep pace with consumer technology, but now it's essential that it does.

"Businesses and providers have realised the critical role that workplace technology plays in engaging and enabling employees – and the negative impact that poor technology can have on retention and motivation. Ultimately, staff are consumers too, and they increasingly expect the technology they interact with at work to be as good as what they have in their personal lives."

Consumer tech is constantly evolving, and suppliers have to constantly find new ways to keep users involved. Everything is trend sensitive, with decreasing product lifecycles, so benefits providers must do more to ensure they regularly update their products and offerings.

Trends change so quickly they can be difficult to adapt to, so providers are adopting methods that gather preferences from users and personalise their services based on these.

Providers are also adapting by shortening development lifecycles in the continual push for faster innovation. If benefits tech falls behind and looks outdated, user engagement will drop and the return on investment will also fall. Just like the consumer market, providers need to make sure that benefits technology continues to evolve at a rapid pace, and deliver improvements before employees even realise they want them.

As these lifecycles continue to speed up, expect to see the line between consumer and enterprise technology move from blurred to disappearing altogether. A good benefits platform should not be perceived as being different from any other experience of shopping.

Sevil Rahimova, head of product at Reward Gateway, says: "It's not only realistic, but an absolute must for benefits technology to keep pace with the rest of consumer tech. We're under no illusion that our user audience interacts with other software products that we can learn from and align to.

"It's not a matter of 'us' against 'other tech', but how we can make the most out of existing consumer behaviour and expectations when using external tech and expand the concept internally."

Consumer trends and how products are developings

"At the heart of all new development, UX (user experience) should be the starting point," says Dom Manley, UK technology product owner – health & benefits, at Aon Employee Benefits.

"It's important to always think about who the users are, how they would expect to engage with that feature or benefit, as well as what type of device is likely to be used.

"We should never forget what the measure of success is, and make sure we adapt to feedback and trends to continually improve."

To deliver a seamless user experience, all organisations (regardless of whether they are benefits providers) need to ensure the back-end technology is strong and adaptable. Just as the best houses are built on strong foundations, the best technology emerges from robust groundwork. This

means that there must be full administration control and data automation.

"Once this is in place, there are lots of front-end tactics that can be employed to improve the user experience. Accessibility – ensuring that the benefits platform is accessible anywhere, from any device – is key to improving user engagement and experience," says Askers.

"Other, simpler tactics can also be employed, for example echoing the look of familiar interfaces," he adds.

"Most commonly used consumer applications offer remarkably similar interfaces, and using well-known iconography – a cog for settings, a disk for save, shopping carts – helps to create a sense of familiarity for software users. This reduces the learning curve and improves employees' experiences by making them feel at home in diverse applications."

It is important to put employees at the centre of the platform. While it is important to monitor trends within both benefits and consumer technology, developers should be wary of focusing too much on these, as the risk is that this may hinder a genuinely innovative approach. It makes sense to adopt the trends that are useful and valuable to your specific audience.

"Just like the consumer market, providers need to ensure that benefits technology evolves"

Benefits meet 'consumer tech' trends

Consumer technology is meant to engage its users by cutting down on waiting times and making life easier. The emergence and growth of video call appointments to GPs is an example of how consumer tech trends have altered the landscape of the benefits industry. For most people, something as simple as a GP appointment can be almost impossible without taking time off work. The opportunity to video chat with a doctor in the comfort of your own home at a time that suits you is a very useful one for the time-poor individual.

Manley says: "Social gamification in health platforms has been around for some time, but providers are finding new ways to engage with groups of users to make positive changes, and collaborate in new ways. People are no longer regarding health and benefits as an individual exercise, but more of a group experience within a workforce.

"Mobile apps that help to deliver these services to the workforce are no longer a nice-to-have, but an expectation. Tailored journeys are being used to give relevant content and solutions to individual users, and that can adapt as they do within the platform. One-size-fits-all is no longer just dated, it's dead and buried."

Private medical insurance (PMI) has undergone the most change in order to align with consumer technology. Enrolling in PMI used to be a paper-heavy chore, but now employees can simply log into their benefits software to apply for it. Once an individual enters the required information into the system it is sent automatically to the insurer to generate a policy.

For the employee, the system is easy to use, intuitive and reliable – key to a rewarding user experience. Automation means that the risk of error is reduced as information is regularly updated by the user and HR administrator, so if there are any changes the insurer is made aware of these quickly. »

Changes are also occurring within financial services as employees are increasingly demanding more from their pension providers and want more personalised solutions.

Phil Blows, sales director at pensions advice provider Wealth Wizard, says: "Where previously employees would invest into their default funds, they are now looking for personalised investment solutions that match their attitude to risk and retirement flexibility.

"Many employees have encouraged their employers to engage with robo or digital advisers in their group personal pension to deliver personalised recommendations. These solutions leverage artificial intelligence and big data to identify user preferences and provide solutions that are simple to understand and highly personalised," he adds.

Other benefits platforms, such as Personal Group's Hapi platform, try to go beyond just employee benefits. It embraces mobile use to create an internal communications system that creates a real-time connection with staff, wherever they may be.

Mark Scanlon, the chief executive of Personal Group, says: "Every time we add a feature, we think hard about how Hapi will be used at the end of a tough day at work or at home. We try hard to eliminate every point of friction so that it's never a hassle for staff to make the most of the perks they're entitled to."

The future of benefits technology

Benefits offerings and technology have already begun to adapt at a rapid pace, with an increasing number of providers moving to cater for user demands. Employees want quick access in the palm of their hand for everything from GP services to financial advice, and employers want to deliver these.

Blows believes benefits tech will continue to use advances in artificial intelligence (AI) to make user experiences simpler and more intuitive. Access to data sources such as banking data, insurance information and health data will mean employees can receive holistic personalised recommendations based on their personal circumstances.

"AI and predictive analytics can now be harnessed to personalise not only user experience, but also which specific benefits are promoted based on demographic, transactional and behavioural data collected during recruitment and throughout an employee's tenure.

Laurie Padua, director of consulting at Alexander Mann Solutions, adds: "While one individual, for example, may respond well to personalised communications that detail a childcare voucher scheme, somebody else may be statistically more likely to take up subsidised gym membership."

While it is difficult to determine how benefits technology will progress in the future, in the short to medium term the data that is being collected at the moment by benefits platforms can be used in a much more sophisticated manner.

Intelligent analytics will enable employers to model the outcome of making specific changes to their benefits scheme. HR leaders will be able to draw on the data generated to create an accurate picture of their workforce, enabling them to segment staff and deliver a highly personalised reward schemes that enhance employee experience and wellbeing.

The technology could lead to benefits platforms using similar techniques to online retailer Amazon's 'recommendations' in showing what other comparable employees may have picked.

"An increasing number of people are already using virtual digital assistants, such as Amazon's Alexa"

HR professionals will also be able to set automated intelligent reminders to individuals.

In the longer term, machine learning will allow employers to place an increasing amount of scheme design and administration into the hands of the platform itself. However, Graham Meinke, head of product management at employee benefits firm Zest, suggests that this will almost certainly lead to an increasing amount of controls around privacy.

While communications channels must be intuitive to reflect the way in which we browse and connect today, future opportunities for HR and reward technology are immense. There is the potential to interact more with hardware such as cameras, fingerprint scanners, VR headsets and wearables to track and engage with employees – possibly offering some type of value-exchange to those who display positive or healthy behaviours.

For innovative organisations that are willing to embrace technology, there is also endless potential to engage talent.

Meinke says: "Exciting new engagement channels are also likely to emerge. Up until now, benefit communications and platforms have been delivered using phones, tablets and desktops. An increasing number of people are already using virtual digital assistants, such as Amazon's Alexa, in their homes. As well as turning on and off the lights, these assistants could also provide their users with an overview of their insurance cover, help them get the most from selected memberships and subscriptions, or deliver a summary of their current financial position."

In the longer term, augmented reality could allow personalised information to be overlaid on the world that people see around them.

Meinke concludes: "This will allow personalised content to be delivered to employees when it's of most value to them." ■

WE CAN ALL BEND OVER BACKWARDS

Kimberly Dondo explores how the world of work is becoming more flexible

Changing working patterns, such as portfolio careers and the gig economy, have grabbed many headlines over the past 12 months. However, within the context of permanent, full-time work, there have been more gradual but no less significant shifts in the way that we carry out our day-to-day tasks.

Employers and their staff now have more control than ever over where, how and when they work, thanks to the evolution of both technology and workplace culture.

- Technology has made flexible working more accessible than ever. People are now able to work remotely without it affecting productivity. In fact, 83% of global employers and employees said that adopting flexible working had improved productivity.

- According to *The Working Revolution* research conducted by Regus, over 50% of UK employees now work outside their office for 2.5 days a week or more. Separate figures from Regus found that 15% of UK staff are now permanently based at home.

- There are positive physical and health benefits, too. Over a third of bosses said that they were more physically active as a result of flexible working, according to research by AXA PPP. Findings from the Wolfson Research Institute found that giving staff control over their own working patterns also improves mental wellbeing. Police officers who were able to change their starting time at work experienced improvements in their mental health.

> *"Employers and their staff now have more control than ever over where, how and when they work"*

- However, remote working can bring a different set of considerations. Regus have found that, although workers do not necessarily like the traditional office environment, they do not always like being based at home, either. The social aspects of work, such as team dynamics, need to be carefully re-engineered. It's also important to make sure that home workers have a suitable working environment.

- For working parents, flexibility is particularly important. Research from Executive Coaching Consultancy found that 38% of mothers who return to work decide to move to another sector because they would like more flexibility around their job.

  One in six mothers return to work in a different function, again in the search for a better work-life balance.

- Communication platforms such as VoIP calls and instant messaging apps allow workers to stay connected with their teams and colleagues whether they are working remotely or on the move. According to *The Working Revolution* report, business people globally remain connected 24/7 by using more and more remote work-enabling apps such as Skype (60%), Whatsapp (65%) and Facebook Messenger (51%).

- Gone are the days when working from home meant transferring files back and forth via discs and USB sticks. Cloud-based apps and storage, as well as more usable, secure virtual networking tools mean that people can work in the same way at home as at the office. ■

THE YEAR WHEN...

Could 2018 be the year when technology changes really gain traction? **Reward** asked a number of industry commentators to gaze into their crystal balls and share what transformations they see on the horizon

...artificial intelligence in HR becomes a reality

Zsolt Fehér
managing director, Hogan Assessments Europe

Big data has evolved as a primary tool for HR professionals, as it has the potential to gather a large amount of accurate information on candidates and employees. The most advanced algorithms can not only mine and analyse data to make strategic decisions, but also take it to a higher level by forecasting actions.

HR decision makers can already merge these data into 'relationship analytics', and can analyse not only an individual's activity, but also team interactions, and thus the functioning of the whole organisation.

That can lead to predicting crucial factors such as who will leave the company soon, who will work together most effectively or who will be the best candidate for the job.

This vast knowledge doesn't only determine the evolution of all the other HR trends, but also leads to AI-driven HR processes.

But with this new power from information comes a special responsibility as well. HR has to be transparent and open to dialogue about employee data to avoid ethical issues and concerns about data protection.

"Skills are at an all-time premium, posing difficulties for businesses that also have to fill specialist roles from a shrinking talent pool"

...millennials are taken seriously

Chieu Cao
chief marketing officer and co-founder of Perkbox

As millennials become a greater percentage of any workforce, the accusation that younger staff members are flaky job-hoppers has become a thing of the past. This has come at a time when skills and good ideas are at an all-time premium, posing difficulties for businesses that also have to fill specialist roles from a shrinking talent pool. The fear of Brexit's impact on the UK adds to this challenge.

Fortunately, 2017 was a year when we started scrutinising just about every HR practice we have in place, with many on their way of being reinvented completely. 2018 is turning out to be an exciting year where organisations – particularly larger ones – lean on these new resources to strive for differentiation and overcome some of the biggest problems of talent retention.

As people data becomes increasingly accessible to HR professionals, it will become a critical resource to eliminate the subjectivity in business-centric people decisions. The challenge: just because something can be measured doesn't mean it can give you the answer to things. In 2018 businesses will take a more sophisticated approach in turning this information into meaningful metrics.

...equality is put in the spotlight

Simon Richardson
Senior lecturer in human resource management, Westminster Business School Europe

The movement towards reporting gender pay gaps and comparing average salaries to those of chief executives are a start when it comes to pay transparency. But they are hardly ground-breaking. In any case, most people can find out about chief executive salaries from annual reports however, the inequalities are clear.

Before most of us have even put away the Christmas decorations, FTSE 100 chief executives have earned more in three working days than the average UK worker will earn in a year.

Although the average FTSE100 chief's salary fell by 15% to £4.5m in 2017, the question still remains on how to further reduce the pay disparity, to ensure that the successes of top UK Public Limited Companies (PLCs) is fairly distributed. To resolve this, we first need to know how such bumper pay rises take place for the elite executives in the first place, and secondly, whether this same reward approach can be applied to all workers to increase their motivation and sense of belonging to UK PLCs.

This is further complicated by the fact that chief executive salaries in isolation are often not that high – it is more about long-term incentive plans and those have a life of their own.

Often, very few people understand those plans, particularly outside HR and finance. That has to change and become more transparent.

...there is greater respect in the workplace

Chris Roebuck
economist and visiting professor of Transformational Leadership, Cass Business School

A message I consistently try to pass on is that everyone is a human being just like us. They respond and react both emotionally and rationally in the same way as we do.

Few leaders realise that an employee's decision to give high performance is about 60% rational and 40% emotional, so ignoring the emotional nature of humanity prevents us from unleashing our full potential. This emotional driver is utterly simple – positive actions drive positive responses and negative actions drive negative ones.

> *"The most powerful ingredient in creating positivity is trust"*

Most of this is chemically driven rather than being a rational decision, so often it is happening before we even realise it. But the most powerful ingredient in creating positivity is trust. Building trust builds positivity, while breaking trust kills it.

...productivity is put in the spotlight

Ian Brinkley
acting chief economist, Chartered Institute of Personnel and Development

While the recently reported increase in productivity is a welcome and positive start to 2018, 0.9% is still a small step at a time when giant leaps are needed. The UK's productivity remains well below pre-crash levels, and with Brexit around the corner, unless a more concerted effort is made to improve productivity, we won't be in a strong enough position to compete once we leave the European Union.

It is also too early to say whether this is a sustained recovery or, as we have seen in the past, a temporary blip that ends in disappointment.

If the government is making new year's resolutions, playing a more active role in highlighting the barriers to productivity for UK organisations and stepping in where needed would be wise. Investment in skills will be key, creating higher value roles for people to progress into.

Equally important will be improving the way people are managed and developed, unleashing productivity by allowing employees to use their initiative and be innovative and stimulated, leaving behind the restrictions of unnecessary procedures.

...workforces become more agile

We have moved forward with the use of agile working quite significantly in Hymans Robertson over the past 18 months. That, for me, is one of the most powerful changes in working practices in recent times.

Agile in this sense means giving power to our people to decide when, where and how they do their work. This has been a big hit – it's about balancing the needs of individuals, teams and clients.

This new way of working moves us away from the structures largely set up during the Industrial Revolution and accepts that for many workers, technology allows them to work in different ways so they can balance their work and non-work lives more appropriately.

Alongside great technology, the central pillar to successful working is trust – on behalf of the employer and the employee.

We have not needed to change our reward structures at all as a result of agile working. Everyone still has the same pay and benefits. One point we manage very carefully is ensuring those contracted on part-time hours are not at a disadvantage.

For example, we have not extended our initiative as far as allowing "compressed hours", because this would potentially put those working part time at a disadvantage: why would they not want to become full time and work in the same way? Aside from the unfairness, the consequences to payroll are obvious from an employer's perspective.

Having said that, we need to ensure variable reward is absolutely focused on outputs and contribution – something that is easier said than done in business at large at present, and it will take time for many managers to make this transition.

Beyond our own specific example, the emergence of the gig economy more generally means that reward structures need to adapt appropriately. Ensuring people are paid a basic living wage is a must in my view – we all need to pay for a roof over our head and have food to eat as an absolute minimum.

Aside from that, extending pensions auto-enrolment or some sort of retirement saving to the gig economy is critical or we risk a stark two-tier retired society in the future.

Steve Moore
head of HR, Hymans Robertson

...businesses address the skills they need

In a study led by the World Economic Forum, more than a third of the core skills that will be required by 2020 are not yet considered critical and are not being taught in universities and colleges.

We asked 400 executives, 5,400 employees and 1,700 HR professionals around the world in Mercer's *Talent Trends Survey 2017* about the impact of artificial intelligence and automation on their organisation and their workforces. Executives told us the people and skills they need for tomorrow will be vastly different to what is needed today.

The top concern for British executives is the increase of technology at work, having the diversity of skills to operate these new technologies and being able to find people with these capabilities.

They predict an undersupply in leadership, IT, core operations, legal and logistics skills. Conversely, there is an oversupply of staff in the spheres of administration, customer service and marketing. To achieve greater efficiency and agility and serve customers better, our survey found that executives are responding by changing their organisations. The most common changes in the UK include:

- moving support functions to shared services-style arrangements (40% of respondents)
- removing management layers and adopting more horizontal structures (37%)
- decentralising authority for decision making (31%)
- eliminating roles, functions and departments (23%)
- outsourcing parts of the business model (23%).

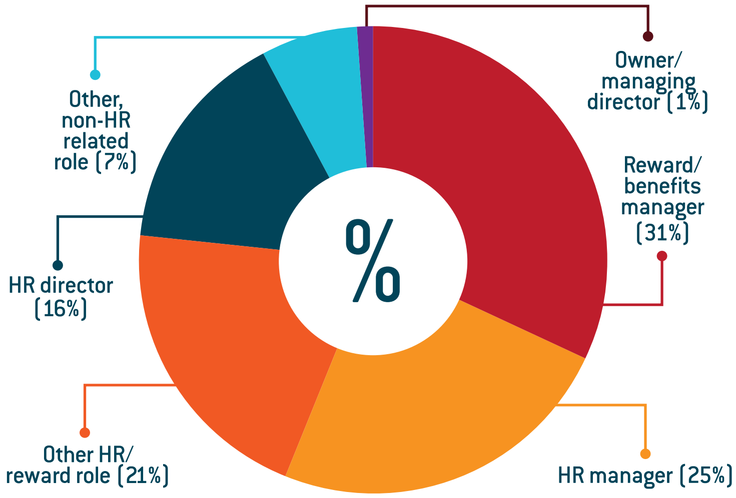
Some of the ways in which HR and reward professionals can prepare for these changes include making sure that job architectures are aligned with new structures and ways of working, as well as establishing who is best placed to do a job (or if it could be automated).

Differentiation in leadership roles, understanding the value of emerging roles and how they should be rewarded, and also quantifying work in terms of experiences anchored to a job are important, too. ■

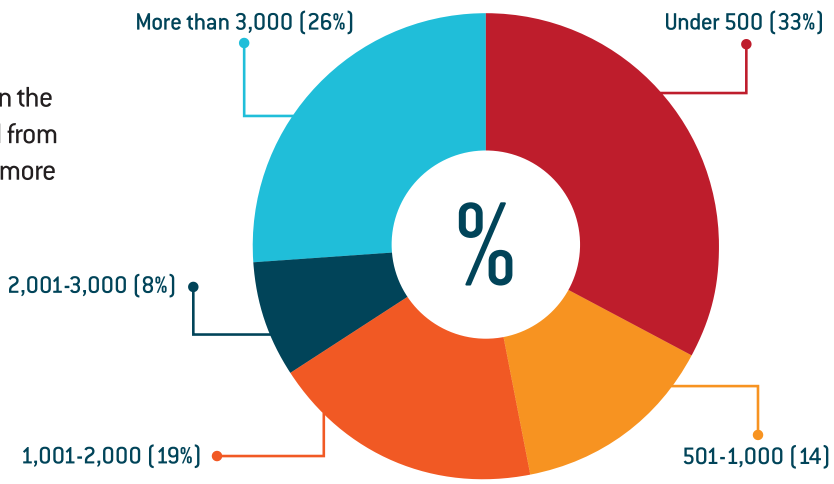
Georgina Harley,
partner, Mercer's Career Business

ABOUT THE RESEARCH

The responses to this research were collected by Reward between October and December 2017, using an online survey. We received 91 responses from HR professionals and reward/benefits managers. The breakdown of job titles was as follows:



The size of companies represented in the survey varied from under 500 to more than 3,000:



A number of the companies represented also had a global presence, with 19% saying that they have more than 10,000 staff worldwide, and 11% saying that they have between 5,001 and 10,000 worldwide. However, 36% of respondents were from UK-only companies. Only 14% of our respondents had responsibility for benefits outside the UK.

Thirty-one per cent of respondents had more than 10 locations in the UK, with 18% having between five and 10, 37% between two and five, and 14% operating from just one location.

Respondents came from a variety of different industries, including 23% from the public sector, 16% from charities and not-for-profit organisations, and 15% from financial or professional services.

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