

Crystal-gazing: The future of rewards

With the workforce trends changing in an unprecedented manner, who to reward, how to reward, how much to reward and at what frequency — are all questions that compel a rethink

The start of a new year is always a good time for employers to take stock of where they are and think about what the future holds. The past few years have been particularly tumultuous as trends like globalisation, artificial intelligence, rapidly-evolving technology, and deep demographic shifts have affected and impacted organisations in significant ways.

We are now at the brink of the Fourth Industrial Revolution; the future of work and the workforce is changing in an unprecedented manner. Needless to say — who to reward, how to reward, how much to reward and at what frequency — are all questions that compel a rethink. The answers to these questions lie in the evolution and inter-linkage between aspects like total rewards philosophy, design, segmentation, variable pay and pay for performance, personalisation, technology and delivery, analytics, transparency and communication.

Globally, Willis Towers Watson's research indicates some key trends that will significantly impact and transform the total rewards narrative in the foreseeable future.

- **Future of work:** The digital revolution is redefining the workplace, skills requirement and the whole employer-employee relationship in a more fundamental way than ever before. In many industries and countries, the most in-demand occupations and skill-sets did not exist 5 or even 10 years ago. Willis Towers Watson's latest Talent Management and Rewards study found that the mean percentage of contractual employees will increase further in the coming three years. Increased dependency on contractual workers reduces the wage cost but more importantly allows organisations the agility and flexibility to respond to this fast changing paradigm. The consequence will drive increased

flexibility —right from a workforce policy to compensation and benefits structure. It is predicted that in future, individual employees or employee segments could have their compensation (and not just benefits) structured as per their life stage, lifestyle or simply individual preferences. Flexibility will be an attractive differentiator with respect to becoming an employer of choice.

- **Technology and analytics:** Looking externally, many of today's most sought-after specialties, such as cloud computing and mobile app designs did not exist a decade ago. Not only does this fundamentally change the way companies do business, this disruption is causing a skilled worker deficit in STEM (Science, Technology, Engineering and Mathematics) fields and a surplus of low-skilled workers in others, such as administration and manufacturing. Companies will look to benchmark how these hot-skills are to be compensated and rewarded, especially in view of their contribution to the top line and in comparison to the other employee segments.

Internally, technology-driven workforce analytics and planning has never been more critical. Today, HR is frequently called on to provide data-driven insights to identify and solve workplace and people issues. Big data and analytics enable effective decision-making regarding hiring, talent management, wages and benefits, flexibility and wellbeing, engagement and productivity.

Increasingly, it is getting critical to support total rewards programmes with technology — whether this is to support effective pay review processes, enable programme cost and value

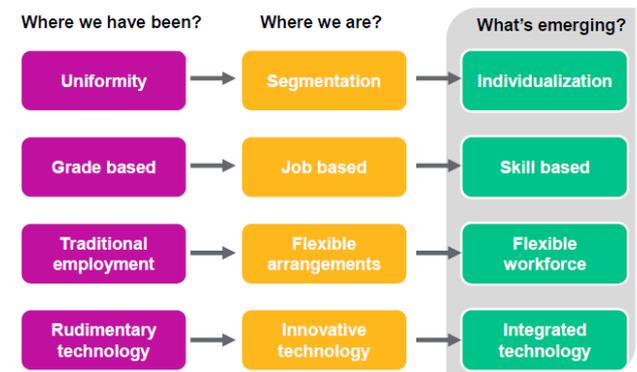
analysis or to simply enhance the employee experience of total rewards.

- Personalisation:** There is an increasing focus on the individual, with regards to compensation and benefits. In the past, personalisation was always somewhat hampered by the accompanying increased administrative burden, but this has been eased now with the advent of technology.
- Transparency:** There are two drivers of this trend. First, that there is more demand from employees, who want to know how they're paid compared to their peers, and what's in store for them in the future. Also, with technology, targeting messages and having contextual communication for the recipient will go a long way to bridging the perceived value gap. The second driver is regulation, for instance in India, the recent rules around pay ratio disclosures.
- Health and wellness:** Employers around the world understand the impact of workforce health on their business; as a result, employees' physical, emotional and financial health remains a core component of their organisational health strategies. However, inadequate budgets, lack of metrics and low leadership buy-in are hindering programme effectiveness. That said, 'wellness' is being linked to workforce engagement and productivity, and will surely gain precedence in the total rewards bucket.

Taken together, these trends are profoundly changing the way businesses operate and total rewards are conceived and delivered. This can be seen most clearly in the rise of the 'gig-based' economy — employers and employees alike are finding flexibility in short-term project-based work rather than long employment contracts. As the traditional 9-to-6 jobs start to disappear, rewards for professionals will be called on to rethink their entire work philosophy — how do you pay contract workers? What kind of benefits do you offer? How do you incentivise performance?

Where are we moving towards?

Work and Reward have evolved over the decade



What do these shifts mean operationally for employers?

The focus on **transparency** brings with it a need for better and more specialised **communication**. Employees have become better consumers of information — in their personal as well as professional lives. Today, we expect to be well-informed as a consumer and a citizen; why not as an employee?

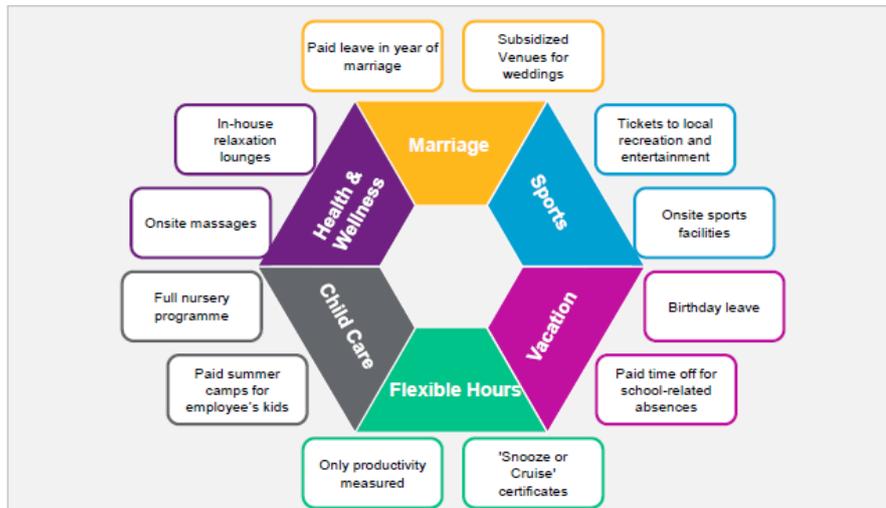
Leading employers understand the need to become better storytellers, and to use storytelling to explain the rationale or diagnosis behind a policy. It can no longer be about simply tacking up signs to notice boards, or sending out a single email. Information and data is already out there — on public websites and social media. If employers do not take control of their own narrative, their employees will receive it from these external sources and may be misled.

And this cannot be owned simply by HR — it must cascade through the organisation, and managers in particular have to be involved as they can personalise the story and make it relevant for the individuals on their team.

As employees become fastidious about where they work, more and more are choosing to work at companies that can take care of them. This is spurring many employers to think about creating an environment of **health and wellness** at work — apart from offering onsite gyms, many also provide wearable technology to track activities, organise walking or cooking competitions, photography classes and many such initiatives which helps to engage and retain employees.

Pay for Lifestyle & Priorities

Innovative Benefits



The trend to **personalise** allows an employee to become an active stakeholder in his or her future. For instance, employers can design a **flexible compensation and benefits** package that allows employees to choose their own benefits based on their position in life, age, family situation, etc., which not only allows benefits to be used in a cost-efficient manner (rather than providing umbrella benefits for all), but also gives employees a sense of ownership and control in deciding how their benefit dollars are spent.

A few companies are going one step further when it comes to **flexibility**—some Indian companies have put into place policies around flexible hours whereby employees choose their own start and end time, and even their work location, as long as they put in so many hours a day and work deliverables are met. These policies can cause quite a fillip in engagement and productivity, and often have no cost implications.

Some other examples of innovation and flexibility in benefits are summarised below.

How public policy plays a role

In India, the tax structure applied to employee compensation is one of the most complicated in the world. On the other end of the spectrum are countries like the United States, which has one of the simplest one. Employees there get a base salary, bonus and a long-term incentive plan.

In India, employers get a tax advantage for various allowances that they pass on to employees — this creates a huge administrative burden on both ends. With recent policy moves such as the demonetisation drive, it can be anticipated that the government of India is aiming to simplify the business environment which may also lead to a simpler tax structure and greater transparency in pay.

Conclusion

The global shift towards flexible employment and the “gig-based economy” might be a few years away from hitting India employers — but other changes are not. In particular, employers will have to contend with tech-savvy employees who have a greater interest in managing their own future than past generations did, including their compensation and benefits.

Employers will need to figure out innovative ways to engage these employees, communicating with them in a way that is relevant to them, and giving them a stake in their own careers as far as possible. With these adaptations made, when the future of work does come to India, it is more likely to find its employers prepared, and less likely to blind-side them.

**First published in People Matters – February 2017 issue*

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