

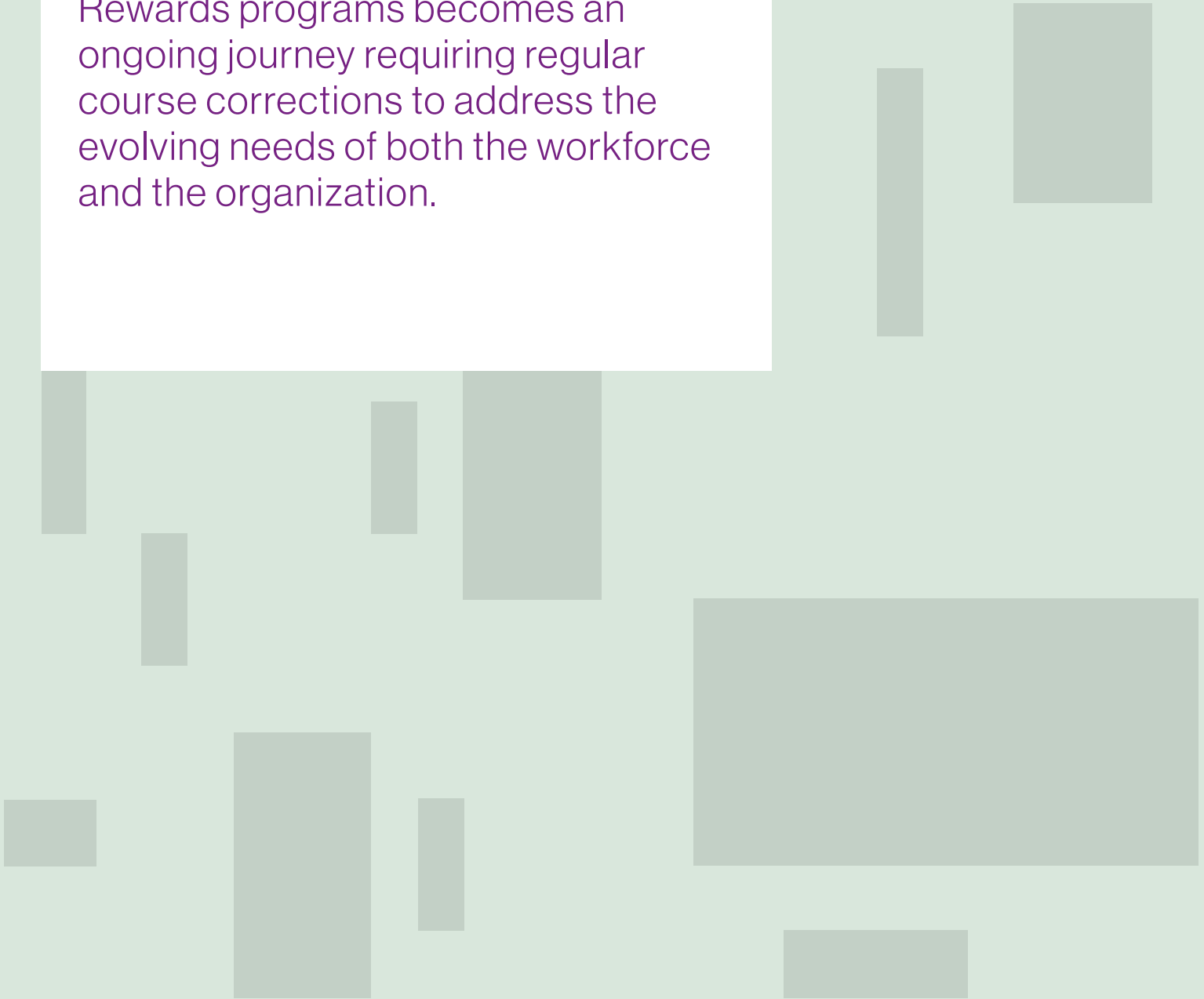
Mapping the new Total Rewards journey

Rethinking the value proposition for an evolving workforce

Global findings from the 2018 Modernizing Total Rewards Survey



In the new world of work, the process of designing and delivering Total Rewards programs becomes an ongoing journey requiring regular course corrections to address the evolving needs of both the workforce and the organization.

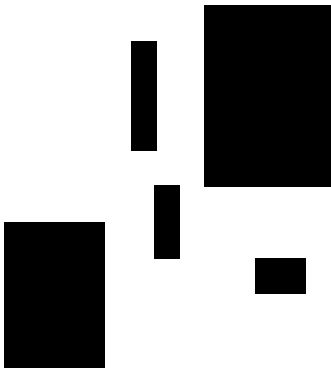


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Introduction

Total Rewards programs are critical to a company's ability to compete for talent in today's agile, digitally disrupted workplace, yet in many organizations these programs are not evolving quickly enough to keep up with the new world of work. Companies face pressure to modernize their Total Rewards programs due to a number of forces:

- **Changing expectations of a global, multigenerational workforce** that places a premium on the sharing of information; transparency; flexibility; and a personalized, consumer-centric talent experience
- **The digital transformation of the workplace**, redefining how, where and by whom work gets done
- **Legislative and regulatory changes** affecting human capital programs
- **A new urgency to manage program risk** and deliver an improved ROI
- **The need to balance requirements for global consistency and local flexibility** in Total Rewards program design and administration

But to modernize Total Rewards programs, employers need to fundamentally rethink traditional approaches in order to better prioritize their investment in programs that provide the most value to people, in the form of desired programs and features delivered within a consumer-grade experience, and to the organization, in the form of an improved ROI.

Findings from the 2018 Modernizing Total Rewards Survey reveal that while most employers continue to follow the status quo, leading organizations are using breakthrough approaches to Total Rewards design and delivery in order to differentiate their programs and stay ahead of competitors.

These organizations think strategically and incorporate all Total Rewards components – pay, benefits, wellbeing and careers – into their offerings (*Figure 1*). They use analytics to better understand the expectations and preferences of their diverse, multigenerational workforce and leverage technology to deliver a consumer-grade Total Rewards experience. Just as they would with their customers, these employers make savvy use of the latest technologies to engage their employees where they are. For example, they deliver personalized messages about rewards at the most appropriate touchpoints using a mix of channels ranging from websites to personalized Total Rewards portals to social media platforms (*Figure 2*).



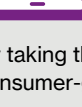
But how do organizations begin to map their transition to more relevant and effective Total Rewards programs? For starters, organizations need to understand the breakthrough practices of leading organizations in Total Rewards that represent the pathway from their current to desired future state. From there, it's essential to explore the mindset, approaches and tools that will help organizations establish priorities, identify gaps and reach their goals on the new Total Rewards journey.

Figure 1. Leaders think strategically and incorporate all Total Rewards components into their offerings

	Pay Addressing global and region-specific pay challenges, both ongoing and those emerging in light of legislative and political factors
	Benefits Optimizing the benefit portfolio, financing and delivery to meet evolving talent and organizational needs
	Wellbeing Addressing the full wellbeing spectrum for today's employee: physical, emotional, social, and financial challenges and opportunities
	Career and development Transitioning career management to career enablement through agile, personalized experiences to optimize organizational and individual needs

Figure 2. Leaders stay ahead of competitors with breakthrough approaches to Total Rewards design and delivery

They take the following steps to develop a differentiated portfolio of Total Rewards programs:

	Think strategically and incorporate all Total Rewards components into their offerings
	Use analytics to better understand the expectations of their diverse, multigenerational workforce
	Make savvy use of latest technology to engage their employees where they are

By taking these actions, leaders position themselves to deliver a consumer-grade experience.

Leaders: what they do differently

Employers continue to experience attraction and retention challenges in a tight labor market. These challenges are more pronounced in emerging markets where half of employers report difficulties getting and keeping talent. In particular, organizations in emerging markets find it more challenging to attract and retain talent in key employee groups compared with organizations in mature markets: 76% versus 60% when it comes to attracting critical-skill employees and 68% versus 40% when it comes to retaining these employees. High-potential employees are even more difficult to attract (77% versus 51%) and retain (74% versus 46%). These findings suggest that in emerging markets it is even more critical to solve the Total Rewards equation.

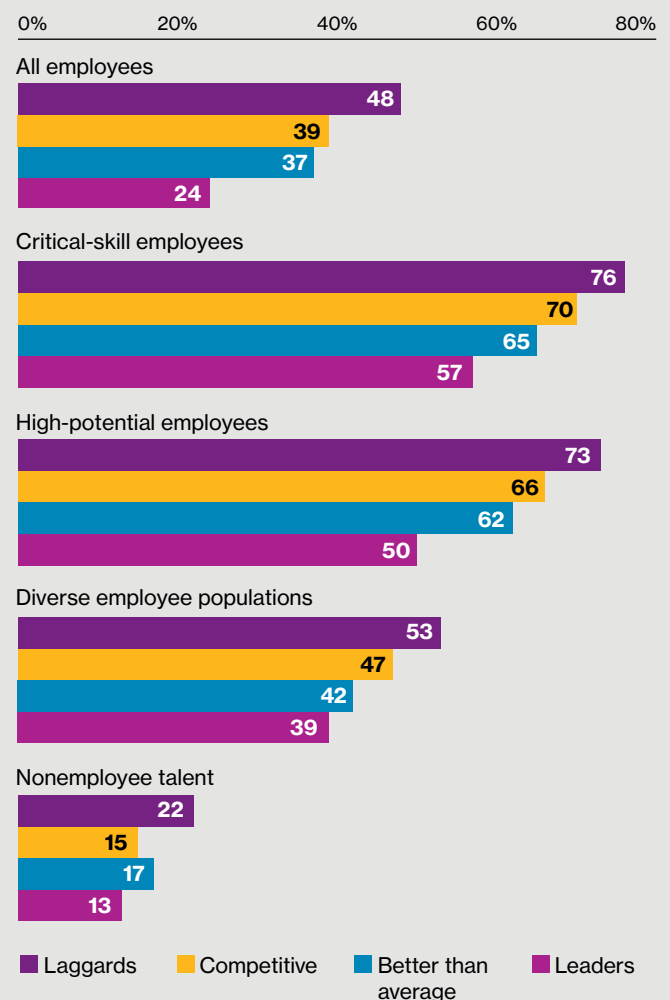
But organizations identified as leaders in Total Rewards have fewer difficulties attracting and retaining talent in general and across key employee populations in particular when compared with organizations that trail their competitors in the area of Total Rewards.

- Only 24% of the leading organizations face attraction problems while that percentage doubles for the laggards (48%) (Figure 3). And leaders experience fewer challenges attracting critical-skill (57% versus 76%) and high-potential (50% versus 73%) employees than do the lagging organizations.
- A quarter of leading organizations experience retention problems compared with 40% of the laggards. Leaders also face fewer challenges than lagging employers in retaining critical-skill (44% versus 60%) and high-potential (45% versus 66%) employees.

Not only are leading organizations less likely to have difficulty getting and keeping talent, they deliver better financial results: These companies are more than twice as likely to report outperforming their industry peers than are the lagging organizations. **Therefore, it pays to understand what the leaders in Total Rewards do differently.**

Not only are leading organizations less likely to have difficulty getting and keeping talent, they deliver better financial results.

Figure 3. **Laggards are twice as likely to face attraction problems than are leading companies**



Percentages represent to what extent organizations are experiencing problems attracting employees in the listed groups. (Moderate extent/Great extent)

Leaders have a strategic mindset

A winning approach to Total Rewards starts with the right strategy. A Total Rewards strategy should align with and advance a company's purpose, values and culture, and reflect what an organization is seeking to accomplish with its talent programs. For example, the Total Rewards strategy of a financial institution trying to attract and retain tech talent might include a special focus on career development opportunities and flexible work arrangements.

Leading organizations think strategically about their Total Rewards programs. Seventy-eight percent of these organizations have a formally articulated Total Rewards strategy in contrast to only 29% of laggards. Leading organizations are also more likely to take a holistic approach to developing their Total Rewards strategy, focusing on a range of reward programs across pay, benefits, wellbeing and careers.

In fact, a substantial majority of leaders say that they regard not just compensation but also retirement/financial benefits, health and wellbeing programs, career opportunities, learning and development opportunities, and recognition programs as key components of their Total Rewards programs (Figure 4). Leaders typically consider five programs as key components of their Total Rewards offering while laggards usually consider only two.

This strategic mindset emphasizes the need to understand the rewards that employees value most across the entire spectrum of possibilities and to use the resulting insights to develop an integrated, truly "Total" Rewards portfolio.

Moreover, leading organizations are better prepared to use Total Rewards programs to compete for talent because they differentiate their Total Rewards programs in the marketplace. In fact, they're five times as likely as the lagging organizations to clearly differentiate their programs from those offered by organizations with whom they are competing for talent.

Only a third of employers globally say they clearly differentiate their Total Rewards offerings from those of their competitors. Far from having differentiated programs, roughly half of employers overall report that their Total Rewards package is "about the same" as competitors' programs. This situation calls into question the often-used strategy of aligning Total Rewards packages to the market even when market offerings have considerable room for improvement. Our survey suggests that leading organizations go beyond the norm: They strive to ensure their Total Rewards offerings are distinctive.

Leaders use workforce segmentation to build a talent value proposition that sets them apart from the competition and gives them a strategic advantage. In a workplace with changing roles and skills requirements, and a multigenerational workforce with differing priorities and attitudes toward issues such as benefits versus cash and work/life balance, segmentation can help organizations understand the needs and preferences of their employees on a more granular level. Segmentation is also key when it comes to ensuring that messages about Total Rewards are targeted and communicated to the right audience, resulting in greater levels of understanding and engagement.

Figure 4. Leaders take a broader view of Total Rewards

	Laggards	Competitive	Better than average	Leaders
Compensation	78	91	93	91
Retirement/Financial benefits	37	46	44	66
Career opportunities	39	52	53	63
Recognition programs	26	32	41	56
Learning and development opportunities	32	45	51	63
Flexible work programs	20	27	30	48
Health and wellbeing programs	31	44	56	61

Percentages of organizations reporting these components are a key part of their Total Rewards programs (Strongly agree/agree)

The most commonly used segmentation dimensions are role and performance. However, employers overall don't fare well when it comes to segmentation with only one out of three organizations having defined a formal Total Rewards philosophy for different segments of their workforce. This shortcoming makes it harder for these organizations to offer a distinct talent value proposition and talent experience in order to attract, retain and engage top talent.

However, leading organizations are twice as likely as laggards to define a Total Rewards philosophy (i.e., guiding principles such as market competitiveness, internal equity and flexibility) for different segments (Figure 5).

Breakthrough pathways:

To develop a strategic mindset:

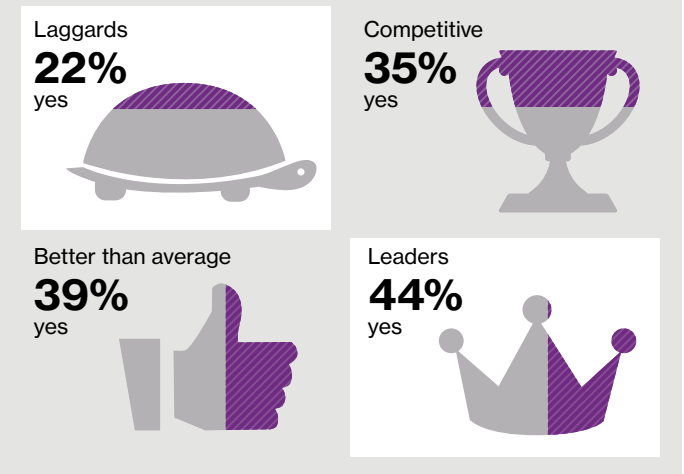
- Articulate an overarching Total Rewards strategy that reflects your business strategy, desired culture and talent objectives.
- Broaden the scope of your strategy to include all key Total Rewards components: pay, benefits, wellbeing and careers. This might require a more collaborative way of working between HR and different program owners.
- Define a Total Rewards philosophy for different segments that better reflects the needs and preferences of key employee groups, and develop a differentiated Total Rewards portfolio and talent experience for those segments.

Leaders aim for a consumer-grade experience

The design and delivery of Total Rewards programs must keep up with changing employee expectations. Among the key expectations of today's employees is that rewards will be designed to reflect employees' preferences to some extent and delivered via a personalized, consumer-grade experience similar to what they've come to expect in their personal lives. Employees seek more choice, flexibility and personalization in how they are rewarded and in their ways of working.

For example, in the benefit area, employees – particularly younger employees – want more benefit choices.¹ But less than half of employees believe their overall benefit package offers sufficient choice and flexibility.

Figure 5. Has your organization defined a formal Total Rewards philosophy for different segments of your workforce?

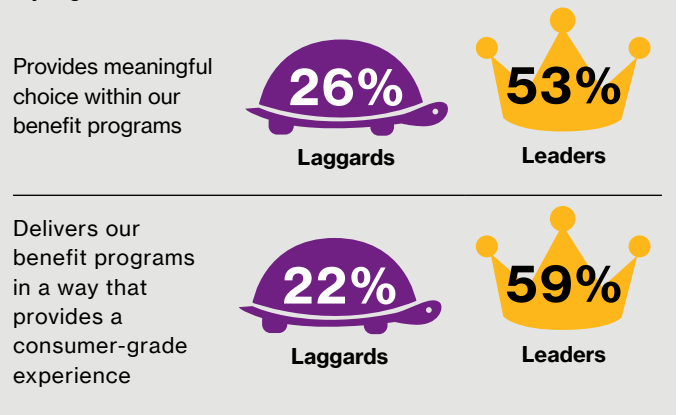


Employers, for their part, recognize their shortcomings in this key area. Only 42% say they provide meaningful choice within their benefit programs, a key element of a consumer-centric approach. But leading organizations are twice as likely as laggards to do so (Figure 6).

Furthermore, a mere 39% of employers say they deliver benefit programs in a way that provides a consumer-grade experience. Leaders are more than twice as likely as lagging organizations to report offering such an experience.

The importance of providing a consumer-grade experience in Total Rewards cannot be underestimated, as it can lead to deeper employee relationships and higher levels of engagement.

Figure 6. Employer view
My organization...



¹Willis Towers Watson Global Benefits Attitudes Survey (2017/2018)

Identifying the gaps

Many organizations miss the mark in five areas critical to meeting employees' Total Rewards expectations and delivering a consumer-grade experience.

1. Understanding what employees value

Any initiative aimed at improving the Total Rewards experience must begin with a better understanding of employees' needs and preferences.

According to Willis Towers Watson research, a substantial majority of employees (70%) expect that their employers will understand them as well as they are expected to understand their customers.² But only 56% of employers say they understand the current Total Rewards offerings that employees value while a mere 47% understand what prospective employees value. And even fewer (25%) understand the rewards that nonemployee talent (i.e., contingent workers) perceive as valuable. Without an understanding of what employees value, employers risk investing in Total Rewards programs that will deliver a poor return.

2. Addressing the needs of the whole person through wellbeing initiatives




With rising rates of obesity, increased workplace stress and financial insecurity due to employees assuming greater responsibility for their health and retirement, wellbeing is no longer regarded as a "nice to have" asset but a core component of any Total Rewards package. Wellbeing is linked to the talent experience and includes physical, financial, emotional and social wellbeing.

Employers give their wellbeing efforts middling marks. Roughly three-fifths of organizations overall indicate that they provide a good work/life balance while about half say they consider wellbeing a top priority and that they design their Total Rewards programs to help employees achieve wellbeing.

However, a sharp contrast emerges between the leaders and laggards. Leading organizations are more than twice as likely as laggards to consider employee wellbeing a top priority (Figure 7). A mere two-fifths of lagging organizations indicate that they provide a good work/life balance while almost three-quarters of leaders say they do so. And perhaps what is most telling is that only roughly a quarter of lagging organizations design their Total Rewards programs to help employees achieve wellbeing in contrast to almost 70% of the leaders (69%).

Flexible work arrangements support employee wellbeing and are a key retention driver. Yet many employers overlook the value of flexible work arrangements. Less than a third (31%) report that flexible work arrangements are a key component of their Total Rewards programs.

Figure 7. **Around 70% of leaders provide a good work/life balance and consider wellbeing a priority**

	Laggards	Competitive	Better than average	Leaders
 Provides employees with a good work/life balance	41	56	59	73
 Considers employee wellbeing a top priority	31	43	54	70
 Designed our Total Rewards programs to help employees achieve wellbeing	27	47	54	69

Percentages represent to what extent organizations agree with the statement (Strongly agree/Strongly disagree)

²Willis Towers Watson Global Workforce Study (2016)

But companies that provide a good work/life balance are twice as likely to select flexible work arrangements as a key Total Rewards component compared with those that don't provide a good work/life balance. Leading organizations are out in front on flexible work arrangements in comparison with the laggards – including in the areas of flexible work hours (67% versus 45%), working from remote locations (56% versus 30%) and working from home (51% versus 30%).

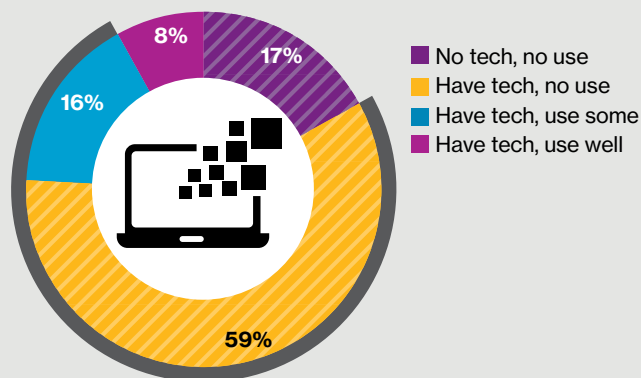
Data from Willis Towers Watson research show that wellbeing initiatives have fallen short of employee expectations. Only about one-third say their employers' health and wellbeing programs have helped them to live healthier lives, and only about two in five say these programs meet their needs.³

Technology may provide part of the solution as its use is linked to effective wellbeing initiatives. Over two-thirds of organizations that use technology well report that they consider wellbeing a top priority (72%), provide support for employees making benefit decisions (72%) and design their Total Rewards programs to help employees achieve wellbeing (68%) (see sidebar).

What does it mean to use technology well?

Companies that use technology well segment employees and understand their preferences. In addition, they use technology to communicate different messages to different audiences. However, less than one-tenth of organizations report they use digital technology in this way.

Three quarters of the companies have technology but are not using it properly



It's imperative for employers to prioritize wellbeing initiatives and find more effective ways to engage employees, including through the improved use of technology.

Breakthrough pathways:

To address the needs of the whole person:

- Include wellbeing as a key component of your Total Rewards package.
- Explore the feasibility of offering flexible work options to improve work/life balance.
- Use engaging and cost-effective delivery platforms to engage employees.

3. Using technology to improve employee insights, communication and decision making

Technology is a foundational element in Total Rewards design and delivery. When used well, technology will help employers better understand what employees value, which can help them improve their decision making and communicate rewards in a personalized manner. However, our findings suggest that while organizations are investing in technology, many are not making effective use of their technology platforms and tools.

Understanding employee preferences.

Technology is essential to effective segmentation, which enables employers to group employees by needs and values to better understand their preferences.

But only 32% of employers overall say they use digital technology to segment employees and understand their preferences. Many have technology in place but are not using it to segment employees. One reason for this could be that companies haven't organized their data in a way that allows them to perform analytics associated with segmentation in a meaningful way – for example, they may not have a well-structured job architecture.

Of the companies that use technology well, 53% say they have defined a formal Total Rewards philosophy for different segments of their workforce, and over 70% say they understand what Total Rewards offerings current (77%) and prospective (71%) employees value.

But not many organizations are using technology well. Even among the leaders only 45% use digital technology to segment employees and understand their preferences in contrast to 17% of lagging organizations.

³Willis Tower Watson Global Benefits Attitudes Survey (2017/2018)

▪ Communicating Total Rewards

The technology platforms most commonly used to communicate Total Rewards are intranets (72%) and HR portals (54%) followed by social media (36%) and mobile apps (22%) at the more advanced end of the spectrum. However, organizations that use technology well make greater use of social media (61%) and mobile apps (42%).

It's important for Total Rewards messaging to hit the right triggers for the right talent groups in order to drive engagement and promote desired behaviors. Yet less than half (42%) of employers overall use digital technology to communicate different messages to different audiences, which is part of delivering a personalized, consumer-grade experience. Leaders are twice as likely to use digital technology in this way as lagging companies: 56% versus 25%.

Moreover, a combination of generational preferences, legislation and publicly available comparative data are contributing to today's heightened expectations with regard to transparency in Total Rewards. Technology plays an important role in helping ensure Total Rewards programs are communicated in a transparent manner. For instance, a Total Rewards portal can clearly present personalized data on all of an employee's Total Rewards programs in one, simplified view, thereby helping employees better understand the value of their rewards. But even among those employers that use technology well, only close to a third (31%) have already created more transparency within their organization.

There are no clear winners in the use of technology to communicate Total Rewards programs. Only 21% of organizations globally use technology to a great extent to communicate different messages about Total Rewards to different audiences. And a mere 2% indicate that they're ahead of competitors in the way they communicate their Total Rewards programs.

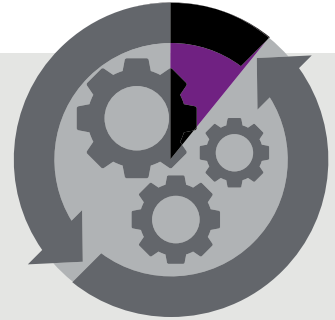
▪ Supporting decision making

Organizations also need the right technology to make effective reward decisions. For example, to make better pay decisions, managers must have access to the latest software with global job-leveling, benchmarking, and robust reporting and analytics capabilities. Three-quarters of organizations that use technology well use software other than spreadsheets to enable the implementation of their base pay programs.

It's important for Total Rewards messaging to hit the right triggers for the right talent groups in order to drive engagement and promote desired behaviors.

The bottom line

More than 90% of **global** companies have **technology** for the design and delivery of Total Rewards, but **only 11% use it well**, i.e., use it to segment employees, understand their preferences and communicate different messages to different audiences.



Consequently, many organizations can improve employee insights, communications and decision making without added financial investments required to introduce new technology. They simply need to make more effective use of the technology they already possess.

Breakthrough pathways:

To make more effective use of technology in the design and delivery of Total Rewards:

- Ensure your organization has the tools and approaches in place to capture employee insights. Develop a deeper understanding of what your current and prospective employees value; what programs have the greatest impact on your ability to attract, retain and engage them; and the program components that will meet their individual needs.
- Clearly communicate your rewards using personalized messaging via a range of technology platforms from intranets, HR portals and Total Rewards portals to internal social media platforms and mobile apps.
- Conduct an audit of software currently in place to support your Total Rewards programs and determine what changes need to be made to use it to its full advantage.

4. Measuring the cost and impact of programs

An organization needs to be able to assess the return on its Total Rewards investment as well as the impact of the programs on its workforce.

The top three metrics used to measure the ROI of Total Rewards programs are related to cost: total cost (49%), change in spend year over year (48%) and individual program cost (38%) (Figure 8). Seventy-eight percent of companies that have technology to conduct metrics assessment and analysis, and use the technology well, understand the full cost of their Total Rewards programs. However, some organizations may experience difficulties measuring cost due to data silos, whereby program data may be difficult to access because it is owned by different parts of HR or even by parties outside of HR.

Fewer organizations focus on people or value-creating measures, including the impact on ability to retain (36%) and attract (28%) employees and employee satisfaction with Total Rewards programs (34%) (Figure 8). Understanding the cost but not the value is only half the equation and might lead to poor investment decisions.

To arrive at a robust measure of ROI, companies need to consider five key metrics in two categories:

Cost

1. Total cost of all Total Rewards programs
2. Cost of individual programs

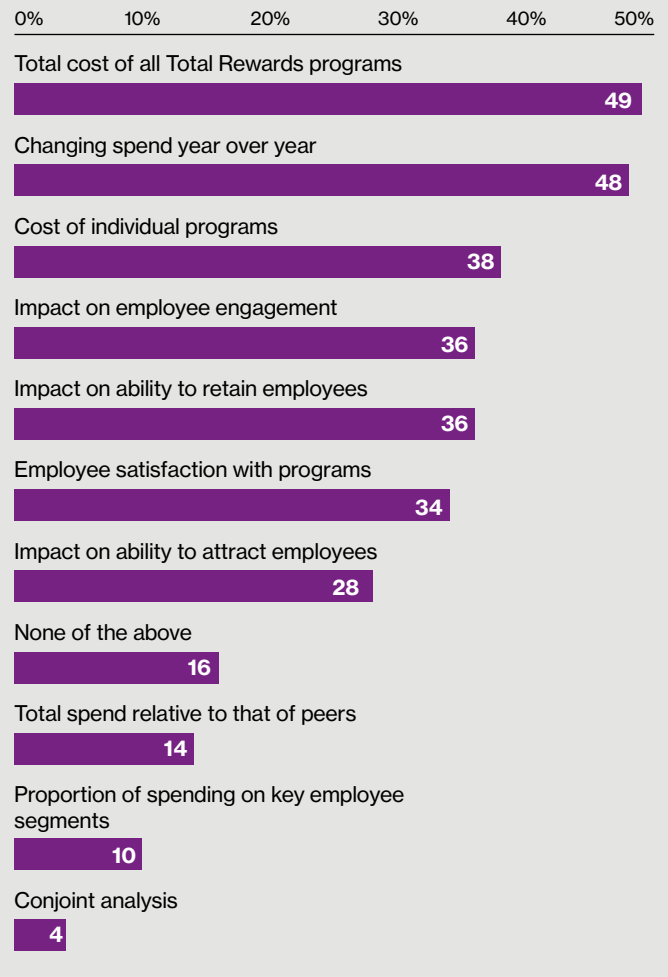
Impact

3. Impact on employee engagement
4. Impact on ability to retain employees
5. Impact on ability to attract employees

Leaders are twice as likely as laggards to have completed an assessment of four out of the five metrics, but only 22% of leaders do so.

Companies in developing economies are more likely than those in advanced economies to measure cost (total cost and change in spend) and the impact on their ability to retain employees. Currently employers in both advanced and developing economies use about three metrics to measure ROI. And going forward employers globally intend to use more metrics.

Figure 8. **What information are organizations using to measure ROI of talent and reward programs?**



An organization needs to be able to assess the return on its Total Rewards investment as well as the impact of the programs on its workforce.



Optimizing Total Rewards with conjoint analysis

The right analytics and modeling tools enable organizations to quantify the critical relationships between Total Rewards expenditures and the employee behaviors they are intended to promote.

For instance, the [Willis Towers Watson Total Rewards Optimization tool](#) uses a rigorous analytics process to help employers:

- **Understand what rewards employees value most and least.** Organizations use conjoint analysis, a sophisticated survey technique, to have employees make trade-off choices among different reward elements in a structured, statistically derived pattern of questions.
- **Identify differences in employees' reward preferences** – and the impact of those preferences on their behavior – across workforce segments.
- **Know how much to invest – and where** – to get the best possible result for the smallest possible investment in reward programs.

These insights help leaders make the right investment decisions to deliver a talent value proposition likely to foster the desired employee attitudes and behaviors at a cost the organization can afford.

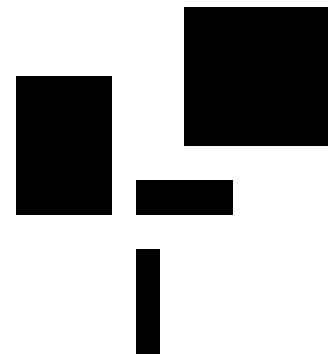
Given the significant investment organizations make in Total Rewards programs, it's crucial to have an accurate measure of the financial return and people impact.

Companies that have measurement technology in place and are using it well are also conducting more comprehensive measures of ROI, such as the proportion of spending on key employee segments and conjoint analysis (see sidebar at left).

Breakthrough pathways:

To improve the use of metrics in assessing Total Rewards programs:

- Break down data silos by moving to centralized platforms or linking systems so that they interoperate or “talk to each other.”
- Assess your results by measuring costs as well as impact of Total Rewards programs on attraction, retention and engagement.
- Over time, include more metrics and more sophisticated analytics in your assessment. These can include proportion of spend on key employee segments and conjoint analysis.



5. Prioritizing fairness, purpose-driven benefits, and inclusion and diversity

Often-cited global forces ranging from changing demographics to the digital transformation of the workplace are converging to influence employee expectations on a macro level when it comes to fair pay, purpose-driven benefits, and diversity and inclusion.

- **Fair pay:** Given the importance of base pay as the leading driver of attraction and retention, it's critical for employers to recognize the increasing expectation of pay fairness. Legislation in markets such as the U.S. and U.K. has served to highlight the growing importance of this issue

But recent Willis Towers Watson research reveals that despite having formal processes in place to prevent bias or inconsistency in pay decisions, many employers fall short when it comes to fair pay, in particular in the area of managing gender pay equality.⁴ And findings from the Modernizing Total Rewards Survey reinforce this view. For example, when making base pay decisions, only 46% of employers take internal equity into account and roughly a fifth (21%) consider gender pay equality.

- **Purpose-driven benefits:** As employees increasingly seek certainty in a fast-paced, disruptive world, benefits (i.e., health, wellbeing and retirement) are a key reason employees join or leave an organization. Today's benefit strategies articulate an approach and a portfolio that are aligned with business goals, accommodate a changing workforce, and deliver high-performing and sustainable benefit programs. Such strategies contribute meaningfully to employee security, wellbeing, engagement and productivity – and also reflect the opportunity for a high degree of personalization and choice. While employees in all career stages value benefits, not all employees value every benefit in the same way, or at the same time in their lives.

Purpose-driven benefits are policies and programs that meet participants *where they are* in terms of understanding their priorities and preferences, and *where they want to be* through personalization, choice and impact. They put the employee at the center of the talent experience and optimize everyday living. Employers today are aligning their benefit programs with their talent value propositions. Seventy-two percent of U.S. employers are making the employee experience in benefits a top priority right now and over the next three years.⁵

- **Inclusion and diversity:** Since diversity is a hallmark of the new world of work, it's essential for employers to understand its impact on the organization, address employee expectations around inclusion and diversity programs, and ensure that their Total Rewards programs are aligned with their inclusion and diversity strategy. But only slightly more than one in five (23%) have a formally structured and managed inclusion and diversity program. These programs typically target gender (87%), people with disabilities (61%), racial and ethnic groups (53%), age groups (55%) and sexual preference (41%).⁴ But they often have much broader impact on the organization in sending the message that a healthy company culture matters.

A key element of inclusion involves creating a setting where all employees can operate in an environment of psychological safety and the ability to bring their whole selves to work. About half the U.S. companies surveyed in our 2018 Best Practices in Health Care Employer Survey already have made psychological safety a core part of the company's wellbeing mission and goals, or plan to do so by 2020. Total Rewards programs in this environment need to support "healthy company" practices, such as:

- Workplace and social rules that underpin company purpose and values
- Codes of conduct and cultures of dignity and respect – for example, anti-harassment/bullying/abuse of power
- Flexible work arrangements
- Individual recognition
- An innovative and growth mindset, and greater tolerance for risk (where applicable)
- Inspirational leadership that underpins the above behaviors

Employers that are slow to recognize the value employees place on fair pay; a healthy company culture; and an inclusive, diverse work environment risk jeopardizing their ability to compete for talent in the global marketplace.

Employers today are aligning their benefit programs with their talent value propositions.

⁴Willis Towers Watson Getting Compensation Right Survey (2018)

⁵Willis Towers Watson Best Practices in Health Care Employer Survey (2018)

Breakthrough pathways:

To ensure a fair, purpose-driven, inclusive and diverse workplace (Figure 9):

- Develop a formal inclusion and diversity framework, and ensure your benefits, wellbeing and careers programs meet the needs of a diverse workforce.
- Use technology to support your strategy in order to improve the attraction and retention of a diverse employee population.
- Conduct a diagnostic of “healthy company” practices – going beyond the simple inventory of programs and policies, but understanding the impact of these practices on the organization, and where additional gaps in overall effectiveness (or practices themselves) exist.
- Conduct a diagnostic of the fair pay agenda in your organization and decide whether further actions are needed.
- Evaluate the extent to which benefits reflect the tenets of being purpose-driven and are tailored to your workforce’s needs and preferences (e.g., do your organization’s programs and policies help meet employees both where they are and where they want to go?).

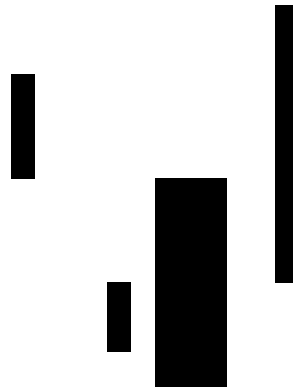


Figure 9. **What improves the attraction and retention of diverse employees?**



Having formally structured inclusion and diversity programs



Using technology to understand employee preferences and deliver targeted messages



Supporting external initiatives, networks or awards to showcase female role models



Establishing/ supporting internal networks



Conducting an analysis of changes



Maternity support/ return-to-work programs

Setting priorities

Employers have not been aggressive in making changes to Total Rewards programs up to now. But in the next year, leading organizations are considering making changes to improve technology, such as administration tools, as well as personalized communication and greater transparency. And over the next three years, these organizations are contemplating providing more flexibility (e.g., in benefits, working arrangements, career options), conducting more ROI measurements and offering more individual choice (Figure 10).

From a regional perspective, employers in Europe, Middle East and Africa (EMEA); North America; and Latin America are considering increasing transparency in Total Rewards in the coming year. In addition, organizations across all regions are contemplating changes to technology. Over the next three years, employers globally are considering improving flexibility. And organizations in Asia Pacific and EMEA are also contemplating providing more individual choice during this period.

Figure 10. Top aspects to be changed by organizations

		Laggards	Competitive	Better than average	Leaders
Already taken actions	1	Improving technology for employees (e.g., enrollment tools)	Moving away from a one-size-fits-all approach	Moving away from a one-size-fits-all approach	Improving technology for employees (e.g., enrollment tools)
	2	Improving employer technology (e.g., admin tools)	Improving technology for employees (e.g., enrollment tools)	Moving away from a one-size-fits-all approach	Creating more transparency
	3	Creating more transparency	Improving employer technology (e.g., admin tools)	Adding more health and wellbeing benefits	Adding more health and wellbeing benefits
Considering changing this year	1	Creating more transparency	Improving employer technology (e.g., admin tools)	More personalized communication	Improving employer technology (e.g., admin tools)
	2	Improving employer technology (e.g., admin tools)	Creating more transparency	Improving employer technology (e.g., admin tools)	More personalized communication
	3	More personalized communication	Improving technology for employees (e.g., enrollment tools)	Creating more transparency	Creating more transparency
Considering changing in the next three years	1	Providing more flexibility (e.g., benefits, working arrangements, career options)	Providing more flexibility (e.g., benefits, working arrangements, career options)	Providing more individual choice	Providing more flexibility (e.g., benefits, working arrangements, career options)
	2	Ensuring our Total Rewards experience reflects our external brand	More personalized communication	Providing more flexibility (e.g., benefits, working arrangements, career options)	More measurement of ROI
	3	Providing more individual choice	Ensuring our Total Rewards experience reflects our external brand	Ensuring our Total Rewards experience reflects our external brand	Providing more individual choice

Employers looking to improve their Total Rewards programs would do well to prioritize the following areas:

- **Talent segmentation**

As competition for talent increases in a tight labor market, it's essential for employers to decide which talent groups they most need to attract, retain and engage in order to make the best use of their limited resources and grow their business. Using this approach, employers can focus on understanding the preferences of employees in key talent segments and developing tailored reward programs to meet their needs.

Our research suggests that more organizations are moving in this direction and away from a one-size-fits-all approach to Total Rewards. While 20% have already done so, another 15% are considering moving away from a one-size-fits-all approach to Total Rewards in the next year and 38% are contemplating doing so in the next three years.

Technology can facilitate a move toward greater talent segmentation. For example, almost half of employers (49%) that use technology to some extent or use it well in making pay decisions plan to take a more segmented approach with greater differentiation by role or function in the next three years.

- **Technology and communication**

Once employers develop a sharper focus on key talent groups, they need to leverage technology to deliver more personalized messages. Even though only 14% of employers have introduced more personalized Total Rewards communications thus far, 27% are considering doing so this year and another 38% are contemplating a move in this direction in the next three years.

While a large majority of employers (72%) use intranets to communicate Total Rewards, almost a third (29%) are either planning a move to an HR portal in the next year or considering doing so in the next three years. And a third of organizations (33%) are considering using mobile apps in the next three years with almost a fifth of leaders (17%) planning to do so this year.

In addition, more employers are making it a priority to improve technology for both employers and employees. Almost a third (32%) are considering improving employer technology this year while 35% are considering doing so in the next three years. More than a quarter of organizations (26%) are contemplating improving technology tools for employees (e.g., enrollment tools) in the next year and over a third (34%) are considering moving in this direction in the next three years.

A global approach can be more efficient and aid mobility while a more local approach can better enable alignment of programs with the local market.

- **Program governance**

Total Rewards program design and administration are moving in different directions based on the nature of the specific programs:

- **Pay:** Sixty-two percent of organizations are making changes to base pay with a slight bias toward moving to local design and administration (32%) versus global design and administration (25%). Of the 68% making changes to short-term incentives, there is a slight bias toward global design and administration (39%) versus local design and administration (23%). At the same time, long-term incentive and recognition programs are more likely to be moving toward global design and administration.
- **Benefits:** Benefit programs are more likely to be moving toward local design and administration than global, 2.6 times more likely in the case of health and wellbeing programs, and 3.3 times more likely when it comes to retirement/financial benefits. This is probably due to regulatory and market differences. That said, organizations may have the opportunity to use their global scale to lower costs at the local level.
- **Careers:** Career programs – in particular, performance management – are more likely to be moving in the direction of global design and administration. This is the case for performance management (56%), learning and development (48%), and career pathing and planning (44%).

A global approach can be more efficient and aid mobility while a more local approach can better enable alignment of programs with the local market.

To improve program governance, it's important to find the right balance between global consistency and local control, subject to global oversight, across programs to facilitate relevance and customization where appropriate and cost management where possible.



Mapping your pathways

Given the constant flux in today's work environment, the Total Rewards design and delivery process becomes an ongoing journey requiring regular course corrections to address the changing needs of both your workforce and your organization.

The following steps can help you get started:



1. Assess the current state of your Total Rewards programs.

Measure the cost and impact of your Total Rewards programs. Assess different aspects of your programs – for example, technology, communication, transparency, flexibility – to determine your position on the laggards-to-leaders scale. Identify gaps to be bridged in order to make prudent Total Rewards investment decisions.



2. Leverage your existing assets.

Identify which of your existing assets you are either not using well or not using at all. In particular, ensure that your organization is taking full advantage of its technology tools to better understand the needs of key talent segments and to tailor reward offerings and messaging to these groups



3. Identify the changes that will have the biggest potential impact.

Determine the improvements to be made to key program components in order to differentiate your Total Rewards programs from those of the competition and deliver the highest possible perceived value to your key talent groups at the most economical level for the organization.



4. Measure the results.

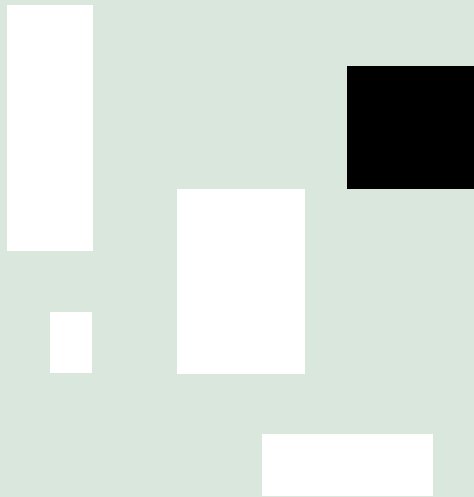
Assess your progress on the Total Rewards journey. Determine next steps for continuous improvement.





About the Modernizing Total Rewards Survey

The Modernizing Total Rewards Survey was fielded in June and July 2018. It includes responses from 1,670 participating organizations in 44 countries. The participants represent a wide range of industries and geographic regions.



About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has over 40,000 employees serving more than 140 countries. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.



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