Future of Rewards, In Focus

Pete DeBellis
Leader, Total Rewards Research
Bersin ™, Deloitte Consulting LLP
pdebellis@deloitte.com
@petedebellis

Dow Scott, Ph.D.
Professor of Human Resources, Loyola University Chicago,
President of Performance Development International, LLC
dscott@luc.edu
312.915.6597

Agenda: Future of Rewards, In Focus

- Bersin’s High-Impact Rewards Study
  - Background and Context
  - Research Methodology and Demographics
  - Selected Key Findings
- Future of Work and Rewards Study
  - Background and Context
  - Research Methodology and Findings
  - Conclusions
- Questions
Bersin’s High-Impact Rewards Study
Selected Key Findings

• Most Respondents Don’t Like Their Rewards Programs
• The Definition of Rewards is Evolving
• Employees Are Rewards Customers
• Best Fit is Supplanting Best Practice

Most Don’t Like Their Rewards Programs
Why Not?

In many cases, the rewards function is alienating employees and undermining employment brand

-15

Net Promoter Score: It isn’t pretty

As one rewards exec told me:
“It has been about cost-cutting and compliance for as long as I can remember...”

Source: 2018 High-Impact Total Rewards research, Bersin, Deloitte Consulting LLP
The Definition of Rewards is Evolving

How Do You Define It?

- Compensation
- Benefits
- Wellbeing? (Or “wellness”?)
- Experience and Actualization?

One respondent said:
“We have a very broad definition: Everything an employee thinks about in terms of attraction and retention”

High-performing orgs are:

11x more likely to have a broad employee wellbeing strategy

1.7x more likely to have that philosophy include elements beyond compensation, benefits, and wellbeing

Employees Are Our Rewards Customers

Do You Agree?

- Mature rewards organizations listen, learn, and design offerings for their “customers”
- Employee needs & preferences
- Employee experience

High-performing orgs are:

6x more likely to use data and analysis to understand employee preferences (e.g., conjoint analysis)

1.7x more likely to report that “employee experience” is an HR leader and C-suite priority in their organization
Best Fit is Supplanting Best Practice
A New Way to Look at Rewards

- Chasing the median
- Curating an employment brand
- The “how” versus the “what”

High-performing orgs are:

12x more likely to identify specific rewards offerings as competitive differentiators and highlight them in their rewards brand

One C&B head explained to me:

“First, the core set of things that every company is doing... Second, the high-impact stuff – how you differentiate your company from all others”

Source: 2018 High-Impact Total Rewards research, Bersin, Deloitte Consulting LLP

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### Future of Work and Rewards Study

**Industrial Revolutions**

<table>
<thead>
<tr>
<th>Revolution</th>
<th>Year</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1784</td>
<td>Steam, water, mechanical production equipment</td>
</tr>
<tr>
<td>2</td>
<td>1870</td>
<td>Division of labour, electricity, mass production</td>
</tr>
<tr>
<td>3</td>
<td>1969</td>
<td>Electronics, IT, automated production</td>
</tr>
<tr>
<td>4</td>
<td>?</td>
<td>Cyber-physical systems</td>
</tr>
</tbody>
</table>

Creating the 4th revolution?

- Genetics
- Artificial intelligence
- Robotics
- Nanotechnology
- 3D printing
- Biotechnology
- Smart systems; homes, factories, farms, grids & cities

Employment realities

- Rapidly changing business environment
  - Globalization of companies and supply chains
  - Increasingly competitive environments
  - Advances in technology and processes
  - Shifts in composition of workforce

- Reshaping employment, interactions and expectations
  - Hyper-connected world transforming work and culture
  - Technology changing concept of work and how it gets done
  - Significant demand for certain skills; limited demand for others
  - Unrelenting pressure to keep labor cost low
  - Variety of employment relationships (e.g., Full and Part-time, temporary, “Gig”, seasonal, outsourced, PT, FT)
Implications for Future Work

- These changes will impact:
  - What capabilities one must have to be successful
  - How organizations will be structured and work organized
  - How we attract, engage, retain and reward talent

- Reward leadership must also change
  - Respond to new types of jobs and employment relationships
  - Align needs of more diverse and global workforce with competitive requirements of business
  - Leverage new technologies as well as capabilities and energies of workforce

Research objectives

- Identify how changes in the economy, demographics, technology and competitive environment will impact
  - The work and workforce of the future
  - How will this workforce be rewarded

- Build upon Scott, McMullen and Larson (2017) interviews with 12 reward leaders from Fortune 500 companies.
Data Collection

- Survey of WorldatWork Association members
- Conducted from Oct. 25 – Nov. 27, 2017

**Sector** (n=201)

- Not-for-profit 18%
- Private sector, privately owned 20%
- Private sector, publicly owned 26%
- Public sector 17%
- Other...

Please choose the largest segment of your workforce.

**Number of employees in category for which you are responding?**

- <100 employees 7%
- 101 to... 16%
- 501 to... 17%
- 1,001 to... 33%
- 5,001 to... 10%
- 10,001 to... 9%
- 20,001 to... 5%
- Over... 2%

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Reduction of Employees Due to Technology

- Impact is substantially less than one might expect from the popular media
- 56% of respondents report technology will reduce employment by less than 5%; only 12% greater than 15%
- However, this does not indicate the impact of technology on existing jobs
What forces will reshape work in the next five years?

Influence of Technology on Rewards
Impact of Availability of Talent on Rewards

Impact of Shifts in Customer Demand on Rewards
Research Conclusions

• Technology will have modest impact on reductions in employment

• Technology, availability of talent and shifts in customer demand will have the biggest impact upon the way work is done

• Forces affecting work are expected to increase labor costs

• Forces affecting work are expect to have most impact upon non-financial rewards; flexible work schedules, work from home, and employee development and career opportunities