

HEALTH WEALTH CAREER

STRENGTHENING YOUR EMPLOYEE VALUE PROPOSITION

UNLOCK THE POTENTIAL OF YOUR WORKFORCE
WITH AN EXPANDED VIEW OF TOTAL REWARDS

IN THIS WHITEPAPER:

- Contractual Rewards Are Essential, But Are They Enough?
- Employees Want and Need More Differentiated Rewards
- Commit to Well-Being, Offer Career Growth Opportunities, Lead With Purpose
- Design and Communicate Rewards With Personas



MAKE TOMORROW, TODAY



Though many organizations are searching for ways to merely survive in today's complex world, exceptional organizations have learned how to thrive. Thriving organizations place a premium on people and think carefully about how to create experiences that meet the full range of their employees' needs. They are future-focused and understand that the workforce of tomorrow may look quite different from the workforce of today. They create an employee value proposition (EVP) that is meaningful and delivers a compelling employee experience.

WHY YOU NEED TO CREATE A MORE COMPELLING EVP



Intense competition for talent is anticipated

89% of executives expect increased competition for talent in 2018.¹



Disruptive technology is changing workforce needs

Over 1/3 of core skills required by 2020 are not yet considered critical, nor are they being taught in universities and colleges today.²



Employee satisfaction is not enough

40% of employees who say they are satisfied with their jobs are still thinking about leaving.³



Employers lack differentiation and meaningful connections

Only 2 in 5 employees believe their organization has a compelling EVP.⁴



Enhancing the EVP is high on the executive agenda

Nearly 60% of employers plan to revisit their reward strategies in the next 6–18 months.⁵

Only 2 in 5 employees believe their organization has a compelling EVP.

As technology disrupts business models, employers need new types of workers that may not yet exist in their current model or may currently be only a small segment. Building a workforce for the future requires identifying and prioritizing workforce segments that will drive organizational growth, and designing programs to meet their unique needs.

¹ Mercer, *Global Talent Trends 2018*, available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

² World Economic Forum, *The Future of Jobs*, 2016, available at www.weforum.org/reports/the-future-of-jobs.

³ Mercer, *Global Talent Trends 2018*.

⁴ Mercer, *Global Talent Trends 2018*.

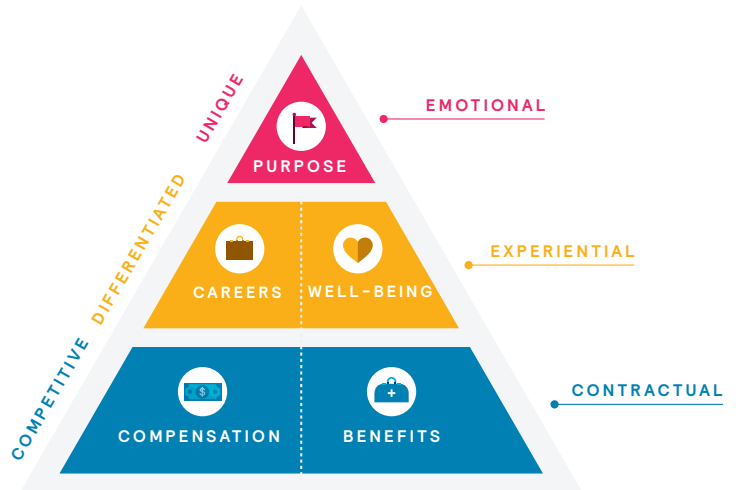
⁵ Mercer Select Intelligence, *Total Rewards Practices Survey*, 2017, available at www.mercer.com/our-thinking/career/mercers-total-rewards-practices-survey-results-briefing.html.

RETHINK YOUR VALUE PROPOSITION

Traditionally, companies focused their EVPs predominantly on contractual rewards (that is, compensation and benefits) to attract, engage and retain employees. Getting these rewards right is important to remain competitive in the talent market, but differentiating on these alone is costly and difficult. Companies that expand their focus beyond contractual rewards have an opportunity to leverage the power of a thriving, more productive workforce. These companies strengthen their EVP by creating rewards that enhance the employee experience and reinforce employees’ emotional connection to the organization.

When considering an expanded view of the EVP, rewards can be organized into three categories, each with different objectives:

- **Contractual rewards**, such as compensation and benefits, are at the core of the employment deal, representing the direct financial rewards that employees get for the work they perform. These rewards are foundational to the EVP, and having a competitive offering is critical.
- **Experiential rewards** reflect how employees experience their organization, both in and outside of work. They include programs to help employees advance and manage their careers in ways that are flexible and meaningful, as well as programs that enhance their physical, financial, emotional and social well-being. Differentiating experiential rewards is an effective way to provide employees with a compelling work experience they may not be able to find at another employer.
- **Emotional rewards** represent the truly unique connection between an employee and an organization brought about either by aligning individuals to the organization’s larger societal purpose or by designing jobs that give them purpose. Employers who translate their business strategy to a larger societal purpose create more significant meaning for the jobs people do. This helps employees see their work not just as a job but as contributing to a larger purpose, thereby building an emotional connection to the organization. As automation continues to change the nature of work, designing jobs that align to an individual’s strengths and interests also gives a greater sense of purpose to the work that gets done.



This framework represents an investment model that organizations can use to prioritize their rewards spend. Each element should be considered, but organizations may focus on one or more elements that further align their business and people strategies.

There’s no “one size fits all” approach to maximizing return. For example, an organization with a people strategy to “buy” talent from the outside may need to focus the EVP on contractual rewards to effectively attract candidates, whereas an organization with a “build” strategy may drive greater success through emphasizing experiential programs that focus on career and well-being to retain key talent over the long term. Some organizations could take yet another approach by harnessing the emotional connection that employees get from feeling a strong purpose in the work they do, offsetting the need for overly competitive contractual and experiential rewards.

Companies that expand their focus beyond contractual rewards have an opportunity to leverage the power of a thriving, more productive workforce.

CONTRACTUAL REWARDS ARE ESSENTIAL, BUT ARE THEY ENOUGH?

Surveys on employee preferences yield consistent results: Employees say they want higher salaries and often express dissatisfaction with current compensation and benefits. Mercer’s recent research of more than 5,000 employees confirms this: Employees rated compensation as the “#1 way to positively impact me at work.”⁷ However, if employers only examined what employees say, they would discover that this is a costly way to manage reward investment decisions.

GOING BEYOND “I SAY” TO “I DO”

With such significant cost associated with contractual elements, we find it surprising how little analysis is done on the return on that investment. What is the impact of increased compensation or benefits on business outcomes such as retention, engagement and business metrics?

Truly understanding the return from rewards investments involves developing insights that quantify the impact of actions on business outcomes. For example, what do your employees do when certain rewards are offered? Do they stay or do they leave? Are they highly engaged or less engaged? Does business performance go up or down? Using this approach, organizations can better understand which reward programs are working and which are not.

Employers have masses of historical data on actions such as changes in employee compensation and benefits that they can use to test which actions yield the greatest impact on outcomes like retention, engagement and business performance.

In Mercer’s experience, often, elements of the EVP other than compensation have a significant impact on business outcomes. In fact, a Glassdoor study of 221,000 employees found that a 10% increase in employee pay only contributed to a 1% increase in employee satisfaction.⁸

With such significant cost associated with pay and benefits, we find it surprising how little analysis is done on the return on that investment.



What employees say, as measured through:

Leadership and HR perspectives

Focus groups

Employee surveys

Social media sites

Exit surveys



How employees actually behave, as measured through:

Performance/productivity

Engagement

Turnover

Promotability

Rewards program utilization

⁷ Mercer. *Global Talent Trends 2018*, available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html.

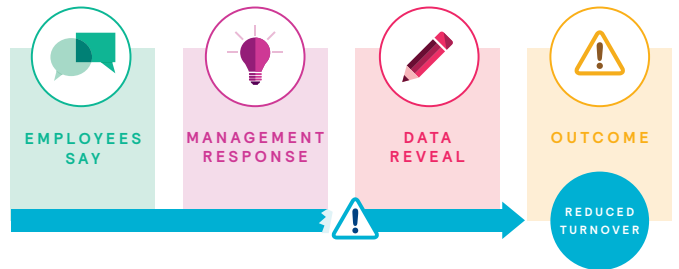
⁸ Glassdoor. *Does Money Buy Happiness? The Link Between Salary and Employee Satisfaction*, available at www.glassdoor.com/research/does-money-buy-happiness-the-link-between-salary-and-employee-satisfaction, 2015.

DESIGN FOR OUTCOMES: A CASE STUDY

A fast-food company had a critical business challenge with turnover. Employees said pay was the reason for leaving. Management’s initial response was to raise the hourly rate – an expensive proposition.

However, analytics revealed that a higher base rate had limited impact on overall wages because the hours worked per employee were low. Income was predominantly a factor of hours worked rather than the base rate.

The company refocused efforts on improving the staffing model to allow for more hours per worker – hence more income per worker – and, in return, achieved a significant reduction in turnover.

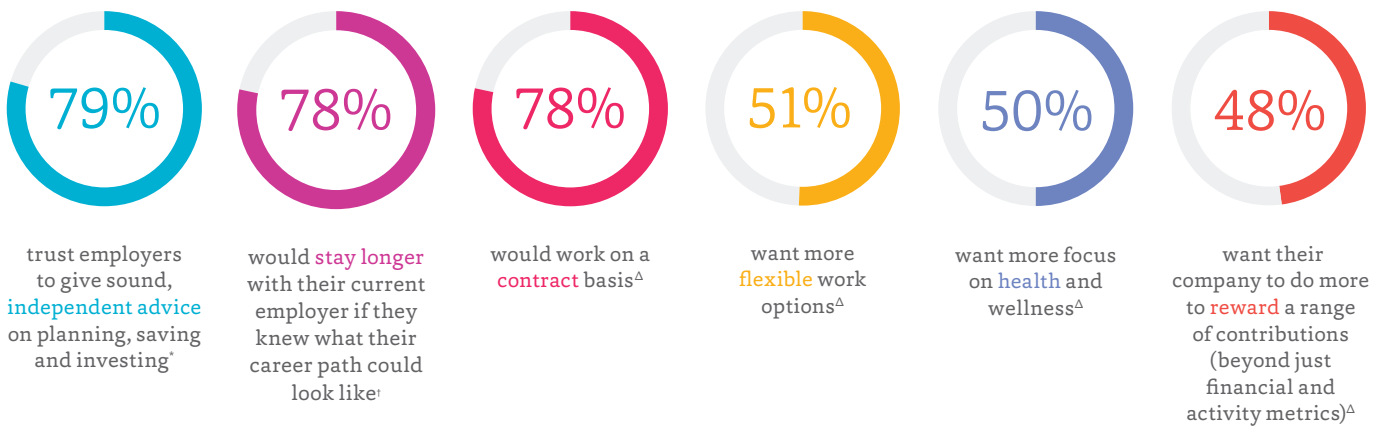


EMPLOYEES WANT AND NEED MORE DIFFERENTIATED REWARDS

Attracting any new employees is difficult without having competitive contractual rewards. But once on board, employees are looking for more – everything from flexible working to career growth opportunities to purposeful work – and they want to be proud of the

organization they work for. Understanding which rewards elements are necessary to be competitive and which rewards are differentiators will go a long way toward effectively delivering an EVP that resonates.

WHAT DO EMPLOYEES WANT?



Sources:

* Mercer, Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security, 2018, available at www.mercer.com/our-thinking/healthy-wealthy-and-work-wise.html
 † Mercer, Employee Views on 'Moving On' Vs. 'Moving Up,' 2015, available at www.mercer.com/newsroom/one-in-three-employees-claim-to-have-a-job-rather-than-a-career-new-mercet-survey-finds.html
 Δ Mercer, Global Talent Trends 2018, available at www.mercer.com/our-thinking/career/global-talent-hr-trends.html

DIFFERENTIATE YOUR VALUE PROPOSITION THROUGH CAREERS, WELL-BEING AND PURPOSE

OFFER CAREER GROWTH OPPORTUNITIES BY STRUCTURING CAREER FRAMEWORKS

Today's employees have evolving expectations about career paths and guidance on how to achieve their personal ambitions. This is driving a significant need to upskill managers to be able to have meaningful career conversations. At the same time, dramatic shifts are also occurring in the overall talent ecosystem, enabling employers to access not only full-time labor but also contingent and contract workers, "bots" and knowledge hubs. In light of all these factors, clarity and flexibility in career options are critical.

New-style work arrangements require new-style career frameworks that take into account both the jobs of today and the requirements of the future. Having a career framework enables an easy line of sight for career options and growth by defining jobs in an organization and how they are related through shared accountabilities and competencies. In addition, articulating new and more flexible options for how we structure work is an increasingly important part of career infrastructure. This in turn helps managers build workforce capability, enable performance, optimize talent costs and allow their employees to navigate the career options available to them.

COMMIT TO WELL-BEING

Mercer's research shows that the organizations that thrive are the ones that are committed to enhancing employees' overall well-being.⁹ Well-being has multiple dimensions — it addresses physical, emotional, financial and social health — and thriving organizations recognize that these dimensions are interrelated.

Many companies limit their well-being efforts to the physical aspects, but there is increasing recognition that financial and emotional issues have a significant impact on overall employee well-being. Research demonstrates the strong impact of such issues on the bottom line: Employees with a high sense of well-being have 41% lower health costs, 35% lower turnover and 31% higher productivity.¹⁰

When done well, well-being programs send a message to employees that their employer cares about them, both at work and outside of work.

THE POWER OF PURPOSE

The pinnacle of a compelling EVP is purpose, which represents the meaningful and emotional connection that employees have to their work. Employees today are seeking more from their employer, just as consumers are seeking more from the companies they buy from. They want to be proud of the work they are doing, work for an organization that shares their values and make a meaningful contribution to society. Connecting business purpose with the work employees do every day can make work more engaging and fulfilling. Just like customers, new recruits and employees want to be associated with a socially responsible organization that has thoughtfully aligned its business objectives with the greater good.

Mercer | Sirota's employee engagement research showed that employees who are purpose-driven are motivated by more than the contractual rewards or even career advancement — they are motivated by the work itself.¹¹ These employees are highly engaged relative to their counterparts who view their work as "just a job" (90% versus 48%, respectively) and are also highly satisfied, more likely to stay (even if it means less pay/benefits) and more motivated to perform.

Employees with a high sense of well-being have:

41% lower health costs
35% lower turnover
31% higher productivity

⁹ Mercer, *Thriving in A Disrupted World*, available at www.mercer.com/our-thinking/thrive/thriving-in-a-disrupted-world.html, 2018.

¹⁰ World Health Organization, *Physical Activity Fact Sheet (2017)*, available at www.who.int/mediacentre/factsheets/fs385/en/.

¹¹ Mercer | Sirota, *Exploring How Employees Think About Work*, available at www.mercer.com/our-thinking/career/exploring-how-employees-think-about-work.html, 2017.

MAKE IT PERSONAL: DESIGN AND COMMUNICATE REWARDS WITH PERSONAS

The employee value proposition is quickly moving toward more of an individual value proposition. Although personalization is not a new concept, it's one that has been difficult to address in the past. Advances in technology (from employee portals to digital career-pathing software to benefits management platforms) are enabling individualized choice without adding an undue administrative burden to HR.

Target the EVP to address the unique needs and desires of individuals, borrowing a technique marketers use to target the unique needs of buyers. By clustering attributes such as age, income, life stage, family status, career level and certain preferences to create unique groups, or personas, employers can design programs to better target individual needs.

Consider, for example, a typical generational approach that segments millennials. This is a very diverse grouping of individuals: Older millennials are now in their thirties, likely in their second or third job, with a partner, family and mortgage; in contrast, younger millennials are in their early twenties, likely just graduating college and entering the workforce. The needs of each of these groups are different: Rewards such as job flexibility and healthcare appeal to older millennials with young families, whereas younger millennials value rewards like student loan assistance. Clearly, one size doesn't fit all within a generation.

Personas can help to more effectively design and evaluate programs critical to the workforce. They also provide a roadmap for more personalized communication by understanding the unique needs of individuals.

Far too often, employers design the perfect value proposition on paper but fail to communicate it and make the elements relevant to the personal experiences of employees. As a result, the EVP has a limited effect and fails to meet its intent: to enable employees to feel confident that they have what they need, understand what they have and feel appreciated for the work they deliver. Enhancing the EVP through digital, individually targeted communication tools provides an efficient platform for making the proposition more personal.

Personas can help to more effectively design and evaluate programs critical to the workforce.

THE EMPLOYEE VALUE PROPOSITION IS QUICKLY MOVING TOWARD MORE OF AN INDIVIDUAL VALUE PROPOSITION



Employee demographics



Location demographics



Needs



Interests



Behaviors



Communication preferences

SAMPLE PERSONAS

STARTERS

LONG-TERM LOYALS

MANAGERIAL CORE

STRIVERS

FREE AGENTS

IS IT TIME TO REDEFINE YOUR EMPLOYEE VALUE PROPOSITION?



Do you have the **FUTURE WORKFORCE** with the skills you need?



Do you provide a **COMPELLING EXPERIENCE** for your workforce?



Are you getting the best **RETURN ON INVESTMENT** from your rewards program?



Are you noticing **SYMPTOMS** of an uninspiring experience?



Have you created **STAYING POWER** with your employees?



Do your employees understand **THE VALUE** of your current EVP?

GET STARTED

The shift in what employees value and a more holistic view of rewards are increasingly changing the rewards “deal.” The time is right to rethink rewards programs and create a unique and individualized value proposition by:

- Ensuring contractual elements are competitive but expanding the definition of rewards beyond this
- Differentiating with meaningful and targeted career management programs
- Investing in employees’ financial, physical, social and emotional well-being
- Developing pride and advocacy through purpose
- Communicating the value proposition in an engaging and personalized way and developing managers to be total rewards advocates
- Utilizing the power of analytics to design programs that truly link to business outcomes

Employers who create differentiated EVPs will find themselves with a thriving organization — one that enriches the lives of their workers by meeting their health, wealth and career growth needs.

TALK TO MERCER TODAY

Contact us at careersolutions@mercer.com to learn more about how we can help you strengthen your EVP with an effective total rewards strategy.

CONTRIBUTORS

Thank you to Mercer’s team of experts who contributed to this article:

Kate Bravery
Partner, Global Career
Practices Leader

Jennifer Gong
Principal, Integrated
Marketing

Steve Gross
Senior Partner,
Workforce Rewards

Lauren Mason
Principal, Rewards Consultant
and Total Rewards Solution
Manager

Kristin Parker
Partner, US Total
Health Management
Specialty Leader

Mary Ann Sardone
Partner, North America
Workforce Rewards
Practice Leader

David Slavney
Partner, Communications and
Change Consultant

David Wreford
Partner, Europe Workforce
Rewards Practice Leader