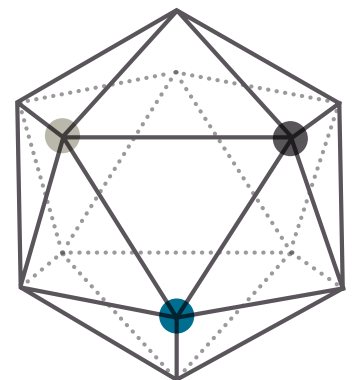


EQUINITI

The Changing Landscape in Managing Talent



Equiniti



Foreword

We are all well aware of the term human capital, coined by Edward Schultz in the early 1960s to define the skillset of the workforce in economic terms. But now companies are beginning to recognise the need to consider their workforce as entirely discrete economies to meet board expectations and mitigate risk associated with talent management.

Salary has become more of a hygiene factor for employees when assessing whether they join, stay or leave, with the wider working environment and holistic benefits package increasingly important.

There is growing evidence to suggest that the generation now entering the workforce, the so-called Millennials or Generation Y, are placing more emphasis on the softer elements of a work environment and their personal well-being. It is likely Generation Z will be different again. Meanwhile, for the current workforce, the cut-off point between work and home life is increasingly blurred and many are being persistently challenged with wider financial well-being considerations. And at the same time, technology is driving and enabling change across the board.

The rules of recruit, retain, reward are constantly shifting and there is a growing opportunity for employers to not only respond but also to embrace and benefit from these developments.

In this report we asked the employees of some of the UK's most well-known companies how workplace savings and investments play a role in this changing world.

Phil Ainsley
Managing Director
Employee Services



Survey methodology

The Equiniti 2016 Savings and Investments Survey was conducted among employees of Equiniti clients with over 6,000 complete responses captured via an online survey. 3,117 of these respondents stated they are currently working full or part time, and only answers from these 3,117 respondents in current employment have been taken into consideration for the purposes of this white paper. The survey was completed in Q3 2016.



The changing landscape

In an increasingly competitive labour market, company boards are more conscious than ever of cost and return in relation to attracting and retaining talent.

It's no secret that there is a direct correlation between a contented workforce and higher levels of productivity, but the challenge now lies in meeting the diverse expectations and motivations of today's workforce.

For the UK's biggest employers who are closely scrutinised – thanks to online and social media – a reputation for taking a holistic approach to salary, reward and benefits can be beneficial; creating an attractive shop window.

In years gone by, employee benefits consisted of a pension and medical insurance; the only variation was usually in the size of the contribution.

Today, some organisations may well be employing three generations of workers, across many different countries – an inter-generational, often international, and inclusive approach is required and with this comes many challenges around the package, communication and engagement.

Over the last few years, people's propensity to use digital alternatives has grown exponentially. According to Ofcom in its '2015 Communications Market Report', smartphones have become the hub of our daily lives and are now in the pockets of two thirds (66%) of UK adults.

Not only are phones an intrinsic part of life for many of us outside of work, for many organisations they are now providing employees with access to the work environment (and vice versa!) 24 hours a day.

It is widely recognised that flexible working is one of the top priorities when it comes to being offered a benefits package from their ideal employer. Being able to work on the move, at home and flexibly, using good technology is often more important than being offered a company car, especially recognising the tax implications.

This, together with the increase in the use of social media across all aspects of our lives, has blurred the boundaries between professional and personal life and people's openness to digital engagement.

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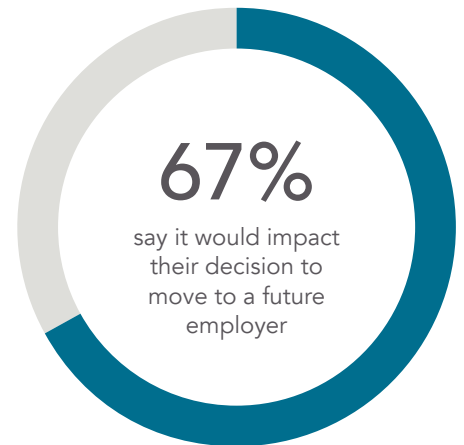
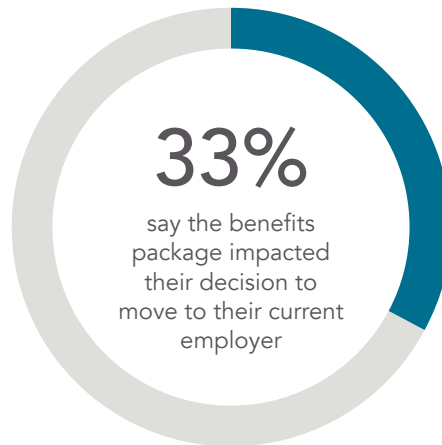
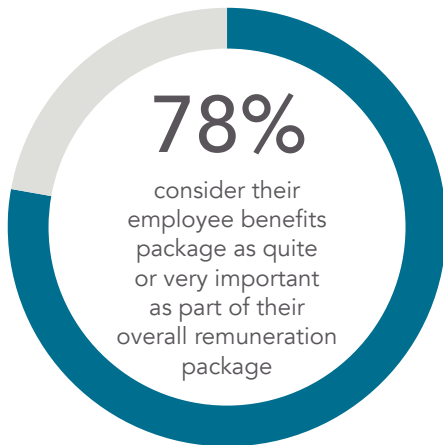
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The war for talent

A competitive salary is a given when attracting talent, but the significance of total reward and benefits in the employee's decision to join, stay or leave a firm is increasing.

Increasingly employees are looking for a reward and benefits package which enhances their lifestyle or improves their overall financial well-being and Equiniti research shows that 78% consider their employee benefits package as quite or very important as part of their remuneration package.



Equiniti's research identified that for 33% of respondents the employee benefits package impacted their decision 'somewhat or considerably' when moving to their current employer. This number rises to 67% when considering a move to another employer now. This is good news for those employers making a difference through their total reward scheme, not so for those who are lagging behind.

The challenge facing employers is identifying what truly works; what successfully attracts, motivates and keeps the best people. The HR toolkit has historically suffered from a data gap; having only fragmented and incomplete people analytics reporting available.

With increasing pressure at board level to provide demonstrable performance improvements and ROI, HR directors will need to consider the workforce as a discrete economy and put solutions in place that take people analytics to the board room in a meaningful way. It's not necessarily about outsourcing (although this is certainly a factor to be considered), but taking out employee costs to the business such as low productivity due to presenteeism or unnecessary high insurance claims such as private medical or employer's liability.



Digital engagement

The common perception is that the younger generation rules the digital roost, and it is true there is a skew towards the younger generation, but Equiniti's research shows that all generations across the employed population are active on the more established forms of social media:



The widespread acceptance of social media in employees' private lives opens the opportunity for employers to engage with staff through a broader range of digital channels and in a way in which the employee is most likely to respond.

While employers may have traditionally used social media channels for monitoring and managing against negative reputational damage, perhaps they are now being presented with an opportunity to leverage these and similar technologies as engagement tools with their staff.

Augmented Reality (AR), the interactive technology behind Pokémon Go, can be used to bring content to life. AR enables users to engage with three dimensional elements and layers such as video, web content, animation and social media to absorb themselves in an interactive world through a mobile device. It is a particularly beneficial way to guide an employee audience through a seamless journey, from printed or tangible media to online. Successfully introduced to share plan communication by Equiniti some time before the Pokémon Go craze began, this award-winning solution provides a modern and creative way to maximise inclusion across all geographic locations and demographics.

Across the age spectrum of respondents, email – something which already feels like a 'traditional' rather than 'modern' communication channel – is by far the preferred option (53%) for updates on employee benefits, with post, employee HR portal and intranet all coming some way behind, although closely ranked at 15.4%, 14.9% and 14.2% respectively.

But do employees really prefer to receive their communications by email, or does this response actually demonstrate that employers need to do more to leverage the other channels available to them in a creative and engaging way to ensure that employees will trust and interact on those channels? How many employers have truly invested time and energy (not to mention monetary investment) into alternative channels in order to maximise their potential for employee engagement?

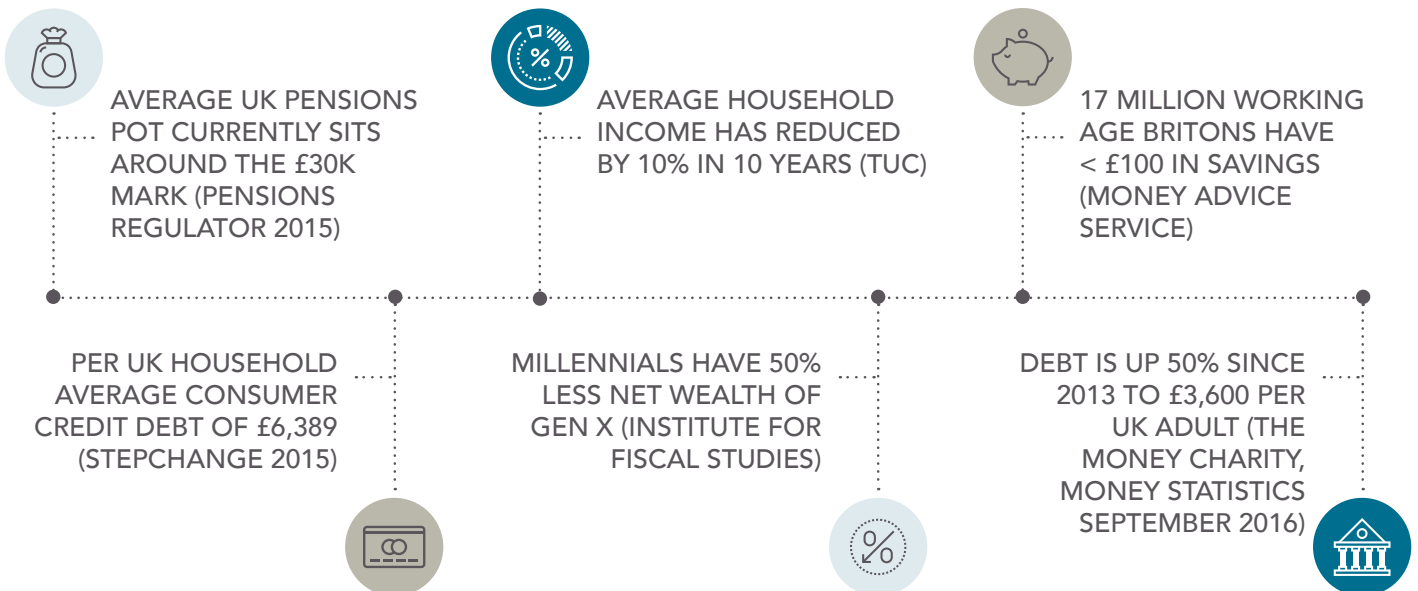
Love it or hate it, digitalisation shows no sign of abating and the evidence is clear that employees use, trust and expect it. With the cost advantages that online communication affords employers, combined with its versatility and agility, going digital to enhance employee engagement is a compelling business case which employees seem eager to accept.





Financial education – the greatest opportunity for engagement, loyalty and well-being

The vast majority of an employee’s current and future wealth and financial well-being is dependent on their employer. Employers remunerate employees through salary and help towards retirement planning through company pension plans and employee share schemes, potentially providing the main source of income during retirement as well as during working life.



Over half (54%) of Equiniti’s survey respondents expect their company pension scheme to be one of the two top sources of their future retirement income. Nearly the same number (50%), however, don’t expect to have, or don’t know if they will have, enough money to live on in retirement and this is the primary financial concern for retirement (52%).

Our research shows that many respondents are worried about their financial situation and recognise that they do not save or invest as much as they should to obtain a secure financial future. While lack of disposable income is the primary reason for most (67%), there are nearly one fifth (19%) who are simply uncertain about what to do.

Despite this uncertainty only 29% are likely to seek professional advice and many (42%) rely on media for their main source of information.

Given the intertwined financial nature of their relationship with employers, surprisingly only 1.8% would consider turning to their firm for financial advice. This is likely due to a lack of availability of advice in the workplace (real or perceived) but it presents employers with an opportunity to add real meaning to ‘employee engagement’, by truly focusing upon the requirements of the end user; the employee. Even more so, given that 48% of employees think employers could do more to support their financial decisions on savings and investments.

Financial stress has been shown to have an impact on an employee’s effectiveness at work which in turn will have an impact on the bottom line of an organisation.

That in itself is reason enough to consider the benefits of a financial education programme within the context of an employee engagement strategy, whilst recognising that there is a direct link between that and well-being.

Improving financial capability and well-being among employees increases general health scores with the linkage between employee stress, worry, and in some cases time off sick from work. Improving financial capability is considered critical on the journey to better financial well-being.

Often though, employers fail to understand what financial well-being of employees actually involves. Employees are looking for adequate financial resources, along with capability as well as a capacity to make informed decisions in order to attain and maintain financial security for themselves and their families.

And that is before you factor in the increasing desire for, and expectation of, employers’ duty of care in the context of corporate responsibility, given employees’ likely dependence on the firm for current and future income.



Share schemes, helping plug a pension gap

For 52% of respondents, employee share schemes will have a role to play in providing a retirement income.



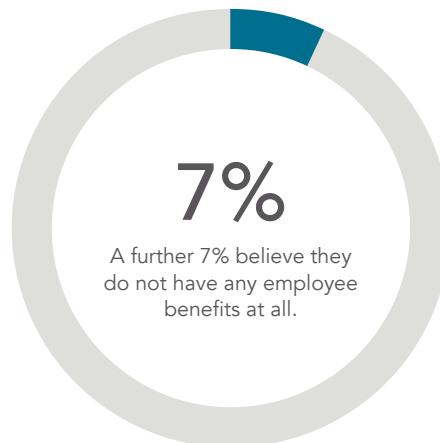


Benefits, the lost opportunity

Employee benefits require a sizeable commitment to implement and administer, before the base cost is even considered, and there is an increasing pressure to demonstrate tangible ROI against them. And yet, despite the investment, many employees (42%) are struggling to understand the true value of their employee benefits (pension, share schemes, flexible benefits) and the financial implications of changing them.



This is a worrying statistic: without a clear understanding of their value employees cannot possibly fully appreciate or make best use of the benefits on offer and employers cannot maximise the potential rewards.



Interestingly a further 7% said they did not have any employee benefits at all. In today's employment market and given the nature of the respondents' employers (Equiniti's corporate clients) this suggests more that the respondents do not understand the benefits available to them than that they do not have any. If this is the case, potentially half of employees have no knowledge of, or only a limited appreciation of their benefits.

In addition when linked to a financial capability strategy, the requirement goes deeper than just good communications; at its heart is the actual content of the programme, focusing on the employees' financial well-being.

32% of employees also say they do not feel they have a clear view of all their employee benefits (pension, shares schemes, flexible benefits), a likely factor in how well they understand the value of their benefits. The pressure to demonstrate the ROI of benefits is higher than ever and these findings make it clear there is currently a missed opportunity for employers to maximise the full potential of the benefits on offer.

This is where people analytics can make a difference. Consolidated analytics enable demonstrable ROI for employee initiatives helping HR to meet their key challenges and drive performance in direct correlation to business objectives. These include: improved benefit performance, employee engagement, administration efficiency and cost management as well as adding value throughout the employee journey; from recruitment to retirement, mitigating employee risk within talent management and retirement planning.

People analytics could be considered in the 'early adoption phase' in the UK and suppliers have an opportunity to step up to provide genuine insights to their clients and clients' employees. From there, they should work in partnership to deliver continuous improvement.



In summary

The overriding concern for employers in the foreseeable future is around managing employee risk and its associated costs. These risks and costs range from reduced productivity caused by absenteeism, or presenteeism, to the more traditionally-recognised costs of recruiting and retaining staff – and they are substantial for any business.

Failure to tell staff about the benefits on offer is costing UK business £2.7bn every year through increased staff turnover and sickness absence (Cass Business School, 2014). Many businesses will point to their existing benefits communication programmes as evidence that they are already doing what they can to address this issue. But this is about education, not information. Using communication channels in a more integrated, creative way, takes the communication to another level, beyond the simple delivery of information, turning it instead into education which is much more engaging and valuable to employees and therefore to the employer too.

At the heart of the problem for employers is data, or rather the lack of it. Businesses need accurate, up-to-date, robust – and holistic, data. They need data that can provide a single, in-depth, complete view of their workforce and they then need to understand and interpret that data in a strategic way to better manage, communicate with and engage their workforce in the future, from recruitment to retirement. The answer is clear – find an integrated people management solution that delivers an accurate, real-time, holistic, view of the workforce. In this way, bringing robust people analytics into the boardroom to begin to address this all-too-real business risk before it's too late.



**Failure to
communicate
benefits to
staff costs UK
business
£2.7bn pa**



About Equiniti

At Equiniti, we understand the positive effect that employee benefits can have on the motivation and retention of a client's workforce.

We are the leading share plans administration provider for UK listed companies and manage one of the largest Flexible Benefits plans in the UK. Our clients vary in size from 30 to over 200,000 employees and span both FTSE350, and overseas listed companies on the NYSE/ NASDAQ, CAC40 and DAX.

We are currently the largest provider of SIP and SAYE share plans and provide share plan administration to more than 60% of the FTSE.

With a core capability to handle scale and complexity, we use talented people, integrated platforms and innovative approaches to deliver a market-leading proposition.

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