



Changing face of reward:
engaging employees through the recession





In 2009, UK businesses have faced some of the toughest trading conditions yet. For many HR professionals, the focus has been on the reorganisations and downsizing that were necessary for organisational effectiveness in this time. Recent news reports suggest recovery is on the horizon, but predict this will be slow and that the next 18 months will bring new challenges (CBI, 2009). With the future in mind, HR professionals will have to think creatively to satisfy cost control and reduction needs whilst maintaining employee engagement, motivation and productivity.

Ceridian and Vebnet, market leading providers of HR outsourcing and rewards and benefits services respectively, surveyed more than 1,000 UK employees across a range of sectors, to understand the impact of the recession on employees' priorities and how this will shape people policies moving forward.

Key findings

- Half (49%) of those surveyed state 'day-to day' living as their top financial priority
- More than a quarter still rate their company pension as the most important benefit offered to them
- 18% of employees feel negatively towards their employer because of the lack of support they have received
- Nearly a quarter (23%) have had new benefits or flexible benefits introduced as a direct result of the recession
- More than a quarter would like to renegotiate their remuneration packages when the upturn arrives
- 79% would be more inclined to stay with their current employer after the recession if they were given more support in managing their finances and lifestyle

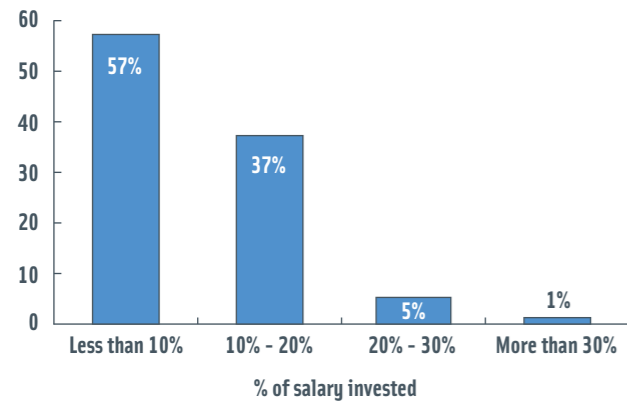
Employee perspectives have changed fundamentally as a result of the recession. Confidence has been shaken and insecurity has been fuelled by an uncertain economic climate. For employers to continue to engage and motivate their workforce, they need to respond to these changing needs.

Current key themes for HR professionals are around the cost-effective delivery of relevant benefits and the provision of appropriate support, especially in helping employees cope with increasing financial pressures.

Thinking of the future, themes include how best to demonstrate the value of the rewards and benefits on offer, which is even more pertinent in the absence of cash incentives. There is also the challenge of how to manage expectations for the upturn. For employees who have reduced hours, agreed to job share arrangements and accepted pay cuts, the message that there will not be an immediate return when times improve will be difficult to hear. Employers need to be preparing themselves now for how to maintain engagement and motivation.

Key conclusion: The changing face of benefits

Percentage of salary employees think is invested on benefits



With the introduction of pay freezes and removal of bonuses, the wider benefits package has taken a more prominent role. Many organisations have used flexible benefits as an effective means of managing costs and as an attractive addition to the rewards strategy in the absence of financial incentives.

Yet, it appears that employees are still not clear of the true value of benefits on offer. The majority (57%) felt their employers invested less than 10% of their salary on their benefits package. Whilst this does differ between companies and even pay scales, industry reports suggest employers invest on average between 20 – 40% of an individual's salary*.

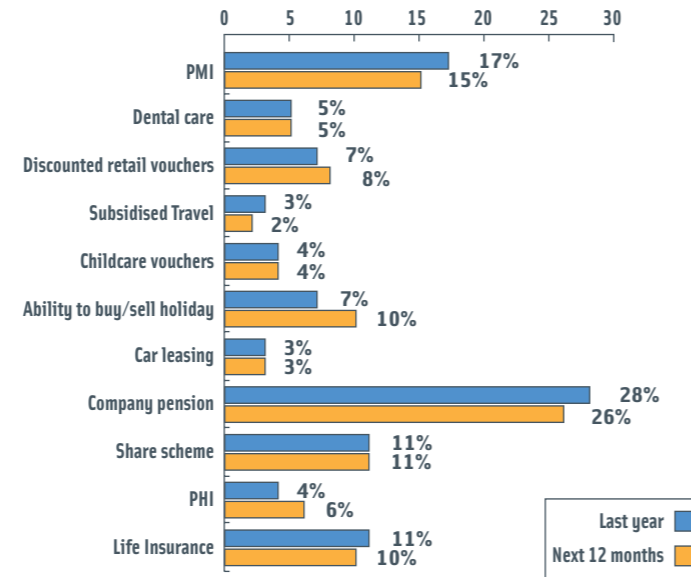
Looking at this finding in more detail, we can see there are significant regional differences to this view, with one in five respondents from London and the South East believing their benefits package is worth less than 10% of their salary compared to only 2% from the South West.

This would indicate that UK businesses are not doing enough to communicate the true value of their organisation's benefits scheme. Ongoing communication and engagement with staff will not only improve understanding of the investment employers are making, and improve take-up rates of those with flexible benefits schemes, but it can also help increase levels of engagement, customer service, productivity and retention.

At a time when financial rewards are limited, employers should be doing all they can to demonstrate the investment they are making and the support available to help employees make their salary go further.

*onrec.com – 16/06/08 – True value of company perks lost on British workforce

Benefits priorities: Last year vs next 12 months



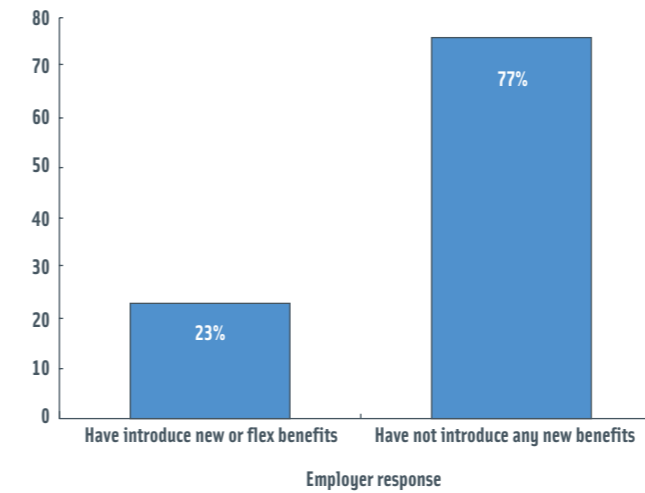
More than a quarter of those surveyed identified their pension as their most important benefit in 2008, followed by private medical insurance (17%) share schemes (11%) and life insurance (11%). When asked about likely preferences in 12 months from now, pensions and PMI still featured strongly, however there were signs that the downturn has driven some changes.

Across the benefits on offer, there was an increased preference for discounted retail vouchers, and the ability to buy or sell holiday. It may be that fears over money and job security are permeating personal lives to the extent that some employees are opting to sell their holiday and stay at work, rather than taking a break.

This trend should worry employers. Employees who are not taking necessary breaks can be affected by lower concentration levels, in turn reducing productivity and increasing the possibility of sickness absence and/or accidents in the workplace. Tired employees are also likely to have less patience and tolerance for daily 'stresses', creating tension and disharmony amongst colleagues and an unwelcome distraction from productive work.

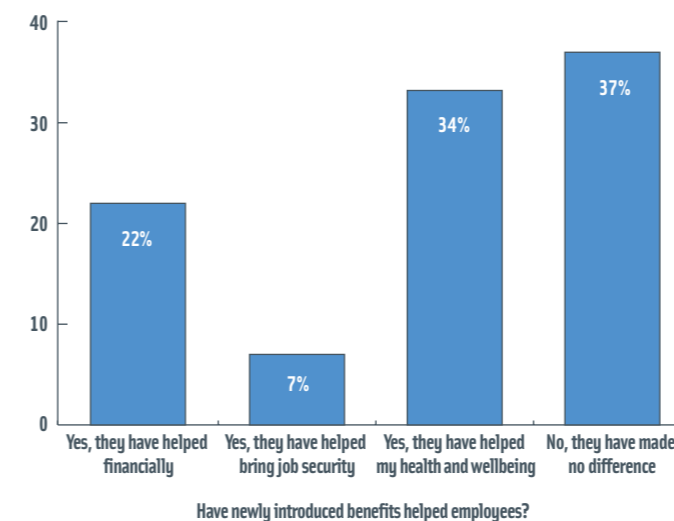
Employers should be mindful of supporting line managers with adequate policies and procedures to ensure both the workload and absence of team members are effectively managed. Managers will need to be vigilant to ensure remaining team members are not overworked as a result of absences within the team.

Employers who have introduced new or flexible benefits as a result of the recession



In response to the recession, nearly a quarter of employers have introduced new or flexible benefits. Among employees affected by these changes, 63% stated that they have benefitted in some way from the new additions. Of these, one in three reported the new benefits had helped their health and wellbeing, and 22% felt they had been helped financially – a valuable support at a time when financial survival is a key priority for most people.

Have newly introduced benefits helped employees?



Worryingly, however, many employers are failing to engage their staff with the additions to their benefits package, with over a third reporting that new benefits had not helped in any way.

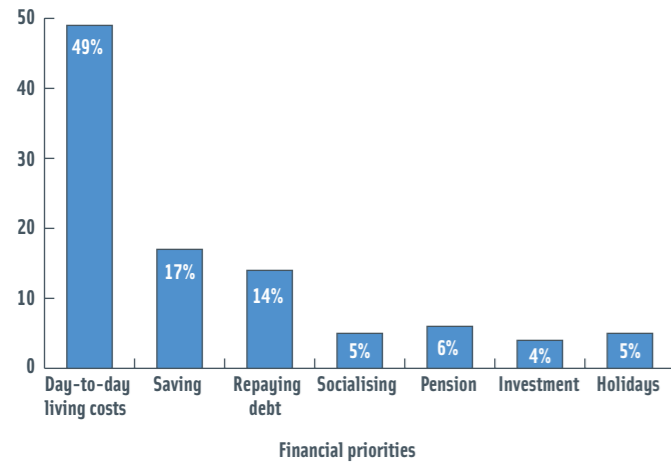
While, it would be unreasonable to expect that 100% of employees might feel a positive impact from such a change, not least because you would expect some employees to have been satisfied with the benefits package as it was, this is still a concern.

It is also important to recognise that some employees will always prefer a cash bonus and may well see any alternatives to this as less impactful. However, this finding does underline the importance for employers to understand the varying needs of their employees, both in terms of the benefits on offer and the way in which they are communicated. A crucial step that is often overlooked is to carry out research with employees to fully understand these issues before redesigning and communicating new benefits. Including employees in the design process and valuing their opinion will also have the added bonus of engaging employees early on.



Key conclusions: The “Fun” and the “Frugal”

Employees main financial priorities



UK employees are focused on keeping their heads above water, with almost half of the employees listing “day-to-day” survival as their top priority. For many, the ‘credit binge’ years are over and the focus is now on future financial security, with 14% repaying debt and one in four identifying savings, pensions and investments as a priority.

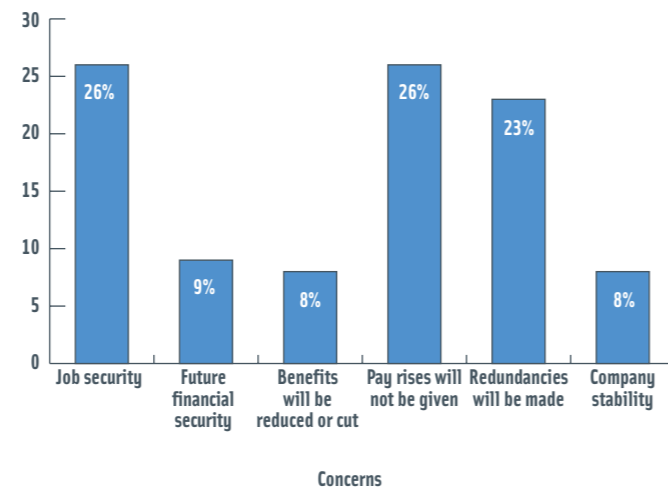
It seems, however, employees are themselves beginning to split into two groups – the “fun” and the “frugal”. Despite the constraints of the recession, the “fun” group still place a heavy premium on holidays and socialising – with one in ten identifying these as a top financial priority.

In some cases this may reflect a healthy work-life balance, a good sign for employers, but in others a clear sign that the UK debt culture is deeply rooted and that the end of the recession may not come as early as that of some of our European counterparts.

However, the “frugal” are taking a more sober view of their finances, focusing on easing the day-to-day pressures. Interestingly, despite being identified as the most important benefit for more than a quarter of our survey, only 6% listed a pension as their top financial priority. This suggests that for our “frugal” group at least, the more immediate financial pressures are forcing employees to focus on short-term survival.

The challenge for employers, especially in light of the planned pension reforms in 2012, will be to encourage employees to look beyond their short-term finances and plan for their future.

Employees main concerns around current job and reward package



Financial worries and fears for security are still highly evident with more than half of respondents citing job security and lack of pay rises as a main concern followed by redundancies (23%).

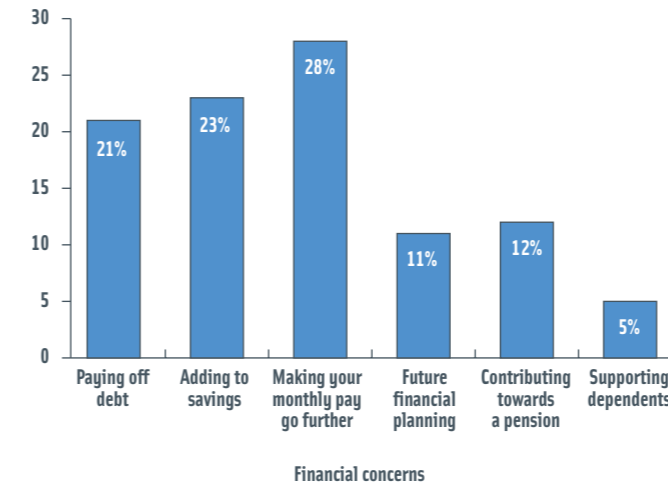
However, it is not just jobs which employees are concerned about but also the continued existence of their benefits packages, with 8% worried that benefit provisions will be reduced or removed completely.

Whilst financial status and security were the main concerns for the majority of employees, employers should be aware that although understanding of benefit package value has proven to be low, their workforce does appreciate the options available and therefore any future changes need to be communicated effectively and concerns addressed as a matter of course.

Furthermore, employee perceptions may not match the reality of the situation so it is important to ensure that employees are not unduly worrying about an erosion of their benefits as this will clearly negatively impact morale and engagement.

Key Conclusion: What can be done to help?

Areas where employees need most help

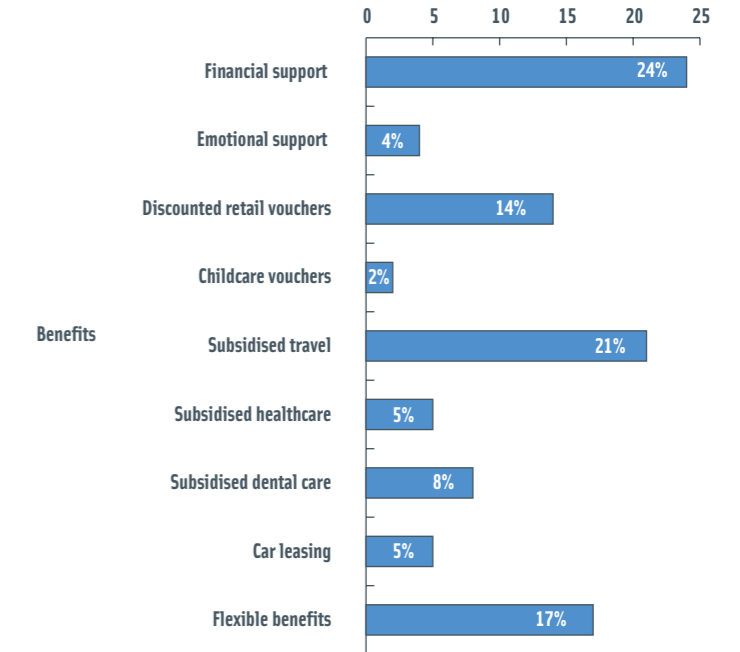


Surviving financial pressures is a theme which has echoed throughout the findings of this research. When asked where they need the most help, it was unsurprising to find that areas which needed monetary support ranked highly.

Over a quarter would like help making their monthly salary go further, and an additional 21% would like help paying off debts. Interestingly, just over one in ten would like support in planning their future finances, an indicator that the recession has affected some more than others and as a result, they have changed their views on financial planning.

The current economic climate has forced many to look at, and modify their spending habits. Not only have pay freezes been widely deployed but bonus payments have been cut, and falling stock markets have eroded pension savings. Employees are understandably keen to improve their financial planning skills and make the most of their pay. Supporting employees to understand how benefits such as subsidised travel to work schemes can help them make the most of tax savings, can be of enormous benefit and help employees to take more control over their future financial planning.

Which additional benefits would be most useful for you?



With financial support being the area where most employees need help, it was interesting to see that only 24% of respondents chose this as the additional benefit they would like to receive.

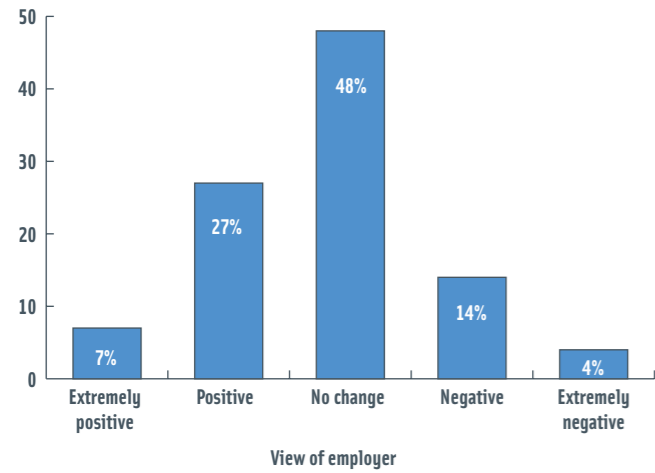
Looking closely at the answers, it was clear to see that the higher ranking responses were financially based and the most likely to ease immediate pressures.

One in five identified subsidised travel as the most useful additional benefit to receive, followed by 17% who believed flexible benefits would be of most use to them and 14% who identified discounted retail vouchers.



Key conclusions: The Future

As a result of the way my employer has supported me, my view of them is...



The recession and the employer response to it has produced a positive bond with employees. Over a third (34%) felt extremely positive or positive towards their employer as a direct result of the way they had supported their workforce throughout the recession – nearly twice as many as those who felt the opposite (18%).

Looking at these findings in more detail, geographical differences were apparent. One in ten employees based in London viewed their employer extremely positively compared to none in Wales and Northern Ireland.

On the flip side, over a fifth of respondents from the East of England viewed their employer negatively as a result of the support they had been provided with.

Perhaps the most surprising result was that more than double the number of males to females viewed their employer extremely negatively.

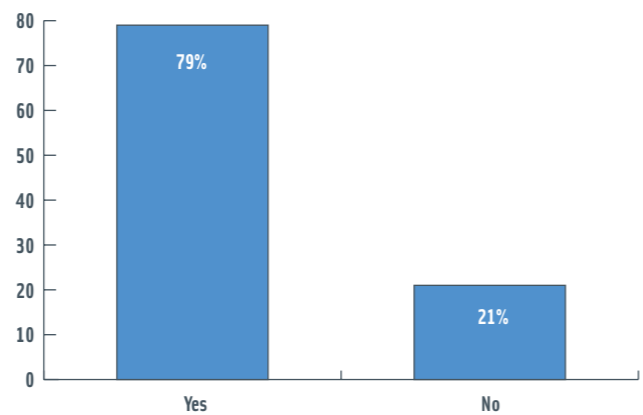
Overall, this suggests that simply providing some form of benefit is not enough. For employers to really engage their workforce, they need to understand what their needs are, offer relevant benefits and communicate both what is available and the company investment this represents.

Employee action as a result of current feelings towards their employer



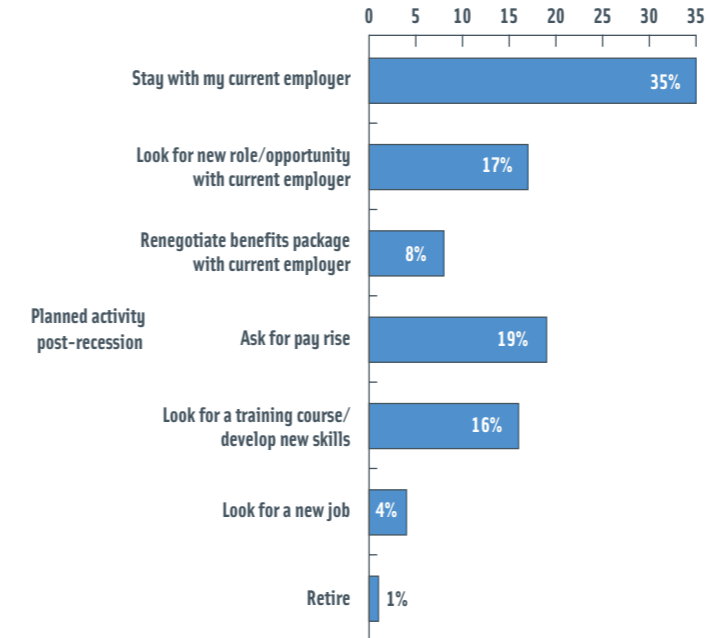
More than a quarter intend to look for a new job because of the lack of support received during the downturn. However, encouraging attitudes towards employers could have a positive longer term impact on some employers' recruitment and retention strategies, with over half of respondents stating that they would look to stay with their employer at present.

Would you be more inclined to stay with your current employer if they helped you manage your finances and lifestyle more effectively?



When delving a little deeper, 79% said they would be more inclined to stay with their current employer after the recession if they were better supported in managing their finances and lifestyle through their benefits packages. This is a clear message for employers that communicating the services available and articulating how these can help individuals both in the short and longer-term, can increase retention rates once the upturn arrives.

Employee plans for the upturn



Our findings suggest that many employees believe that due to the tough times they are currently facing, they should be supported in the short-term and rewarded in the longer-term. Employee plans for the upturn focus on enhanced rewards in three key areas:

- **Pay:** one in five plan to ask immediately for a pay rise,
- **Promotion:** one in five will be looking for a new role or opportunity either internally or with another company,
- **Personal development:** 16% will be looking for new training or development of skills.

Employees clearly believe that the upturn will herald "payback time" in terms of pay and rewards, career progression and their own development. In order to hold onto their staff, employers should prepare themselves now for how they will meet these needs and what could be a challenge every bit as daunting as the recession itself.

Employers will need to be clear about what is realistic and explore the viable alternatives to pay rises and bonuses ahead of conversations with employees. Above all else, they must ensure honest and open communication.



Conclusion

The UK has been part of a credit binge culture for many years, resulting in businesses and individuals alike facing some of the toughest conditions seen in the last ten years. There is currently a struggle for financial survival and many employees are striving to simply meet day-to-day living costs.

The UK workforce wants and needs financial support from their employers, be it through relevant benefits packages or pay advances. For those who offer this support, retention is the reward as well as a more engaged and positive workforce. However, those who fail to recognise this need risk seeing their employees move to other organisations when the upturn arrives.

The challenge for employers is to ensure that their employees remain as engaged as possible during these difficult times so that sales, productivity and customer service levels are maintained. In the slightly longer term, it will be essential not to "miss the wave" of recovery and therefore fail to hold on to or recruit the key talent that the business needs.

However, it would be a fallacy to believe the upturn will arrive without challenges. Many employees expect a return to the working conditions seen in more buoyant times: an expectation employers will have to manage. The benefits strategy is going to be key here, but only if employers are offering relevant options and can demonstrate the true value of the benefits in place.

The invitation for benefits to shape the upturn positively for employers is there. The challenge now is for employers to use their rewards and benefits with imagination and flexibility to respond to this challenge.

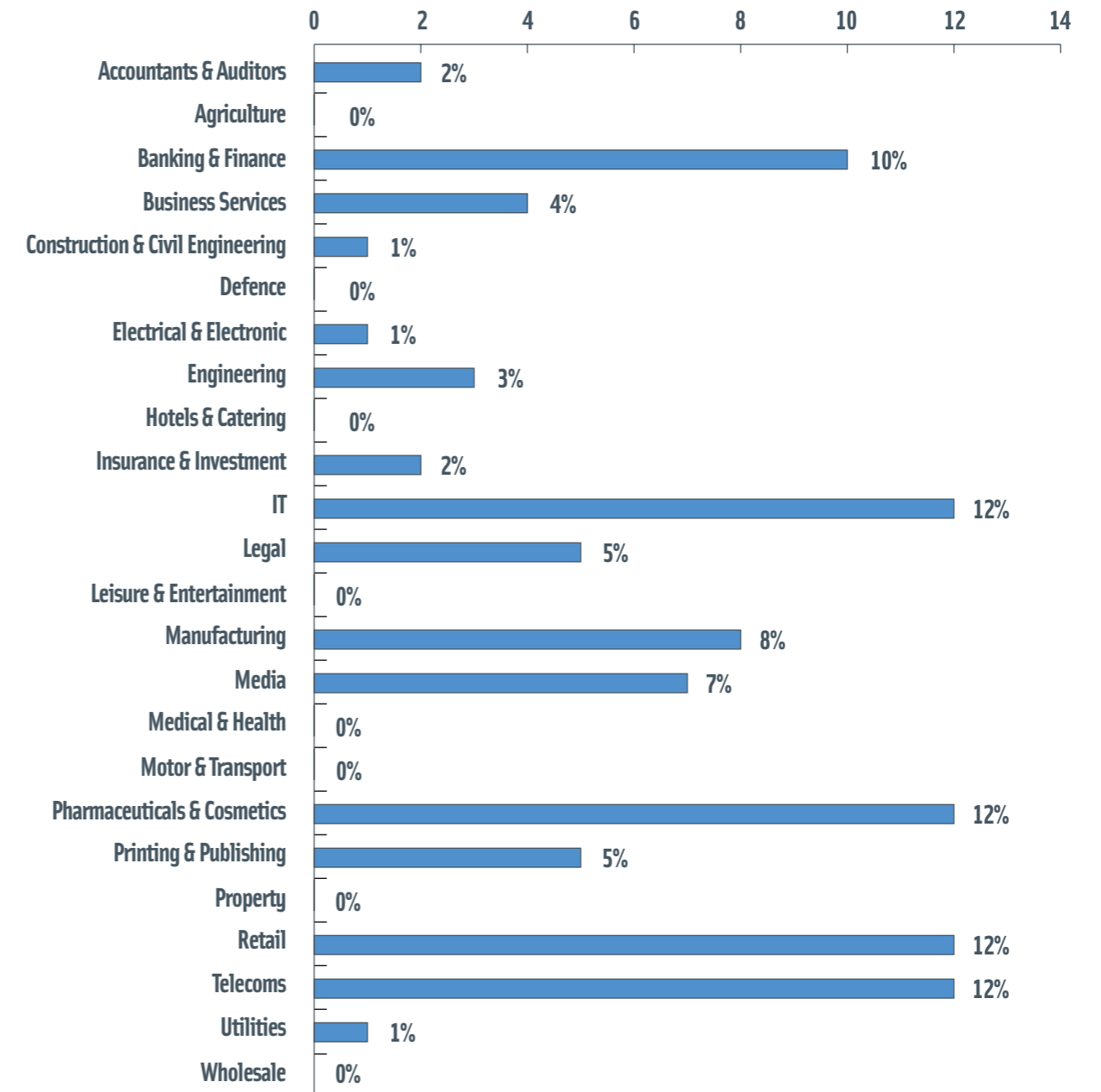


Research Methodology

1003 employees completed an online survey in August 2009 run by independent research agency Research Now. Employees were in full or part-time employment in the UK.

Male	Female
496	507

Respondents by sector



Ceridian is a global business services organisation that offers a comprehensive range of innovative solutions. From human resources and benefits to work-life and health and productivity services, we help organisations maximise their human, financial and technology resources.

As a leader in HR outsourcing, gift cards and payroll, we're also the driving force in payment innovation. Whether we're partnering with you to improve employee productivity, save money or minimise financial risks, it's our business to help you stay focused on yours.

Vebnet is a global market-leading provider of technology and services for benefits and reward strategies to the world's most progressive employers and is part of the Standard Life Group. We optimise employee engagement through reward technology by advising on, designing and implementing effective reward programmes, by helping organisations to communicate employment brands successfully and by managing the administration support for their flexible benefits package. With dedicated employee benefits and technology professionals, our extensive portfolio of clients span Financial and Professional Services, Retail to Telecommunications and include Sky, JP Morgan, Nationwide, Bupa, PWC and Freshfields.



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