



The reinvention of work

A tale in 3 surveys

Pension schemes don't exist in isolation - the pension strategy always has to be looked at in the joint contexts of the wider employee benefit, engagement and wellbeing strategies. 'Better outcomes for pension scheme members' takes joined up thinking that incorporates the evolving employee experience.

In our own work with employers, Barnett Waddingham approach employee wellbeing based on six key pillars - job security, financial security, health, support, protection and work/life balance – designed to help employers identify their own workforce's specific issues and priorities, and how these evolve over time. We also regularly survey key stakeholders for in-depth views on employment and benefit issues.

- The Covid-19 pandemic was the biggest crisis that the UK has had to deal with since World War Two, resulting in a seismic impact on the public, government, economy, employment and education. For many employers and large sections of the UK workforce, financial confidence and wellbeing were shaken to the core.
- In the early to mid-pandemic, our research showed that job security and financial health were coming into laser sharp focus. The incredible uncertainty around Covid meant that, as a population, we were all primarily focused on the fear of losing what we already had.
- Two years on and, while financial health is still a key priority in these turbulent times, the UK workforce is much less satisfied by the employment status quo. The meaning of work is undergoing a fundamental reassessment and shifting employment dynamics mean that the relationship between employers and employees has never been more important.

Survey 1. 2020

The cracks are beginning to show

Our April 2020 survey looked at a representative selection of over 2,000 UK employees to understand their situations, how they were feeling and coping, and how well they felt supported by their employer.

Headline numbers:

- Two thirds felt unconfident about the health of their finances - UK employees had experienced a sharp drop in confidence in their financial health in light of the Covid-19 pandemic. Comparing how they felt before and after the pandemic, three-fifths (59%) of employees were confident in their finances pre-pandemic, but that figure then dropped to just over a third (35%).
- Furloughed workers experienced the greatest drop in their financial confidence, from three-fifths (60%) to under a quarter (24%.) The Government's job retention scheme enabled employees to retain their jobs, but with many living on 80% of their normal salary and with increased anxiety about their job insecurity, it impacted their sense of financial health. Moreover, a fifth (18%) of employees on furlough ultimately expected to be made redundant.
- Younger workers, aged 18-24, were the most insecure about their finances at just under a third (32%) reporting financial confidence, compared to a half (52%) before Covid-19.



Communications and engagement strategies

Communication from employers was key to maintaining confidence and wellbeing, yet a third (34%) of employees said they had received no communication, and **a quarter (27%)** only a little communication from their employer about financial health.

For furloughed workers, who were more likely to be struggling, **almost a third (31%) had heard nothing from their employer to support their financial health**, 28% had a little communication, and almost half (46%) had no communication regarding their mental health.

The biggest firms were falling furthest behind when it came to communicating with their employees about financial health. **Two-fifths (42%) of employees at firms with over 5,000 staff said that they have received no communication from their employer.** This compared to just over a quarter (27%) of employees at mid-sized firms with 50-200 staff.

What employees were saying about employer communications

Effective and engaging communication is about the balance between quality and quantity, and ironically, there was a very strong correlation in these results between the two –

- Less than half (46%) of the UK workforce said that they were satisfied with the communication from their employer to support both their mental and financial health during the Covid-19 pandemic.
- Younger employees were the most satisfied with financial health communications but the least satisfied with mental health communications.
- The larger companies delivered more effective mental health communications, but the trend was the opposite for financial health communications.

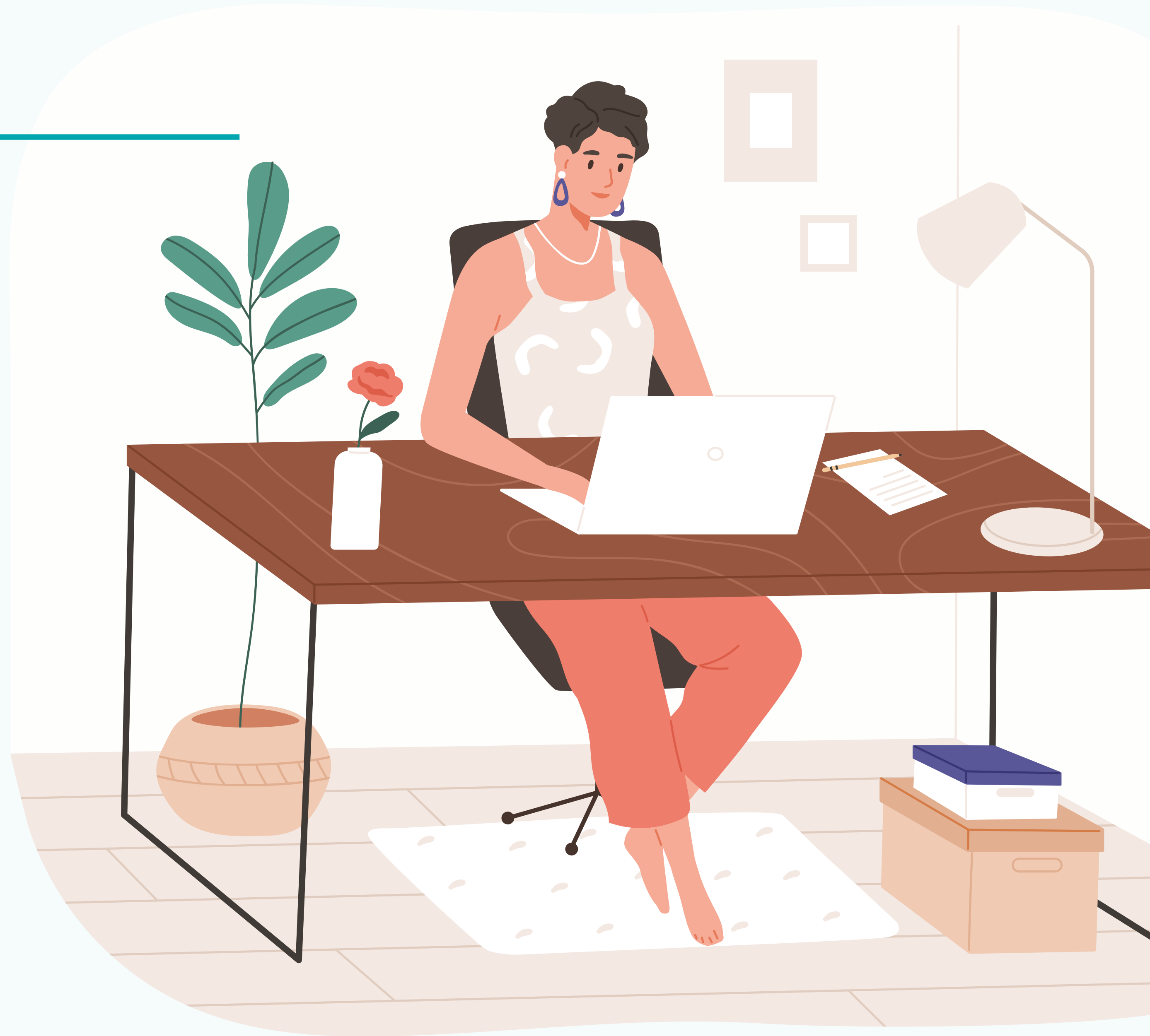
In 2020 UK employees were obviously deeply concerned about the future and their financial survival. Our research revealed a concerning lack of satisfaction with employer/employee communication. Even as employers faced unprecedented operational challenges, radio silence was not ok and could only serve to make the task of maintaining employee engagement all the more difficult.

Survey 2. 2021

Getting by in an untested hybrid world

The concept of wide-spread hybrid working emerged in a daze of necessity, and we have since moved beyond it so fast that it feels as if it has always been our reality. Essentially, 2020 was like a mass participation pilot on the feasibility of remote working, but under exceptional, and hopefully unrepeatable, circumstances.

In our 2021 survey of the UK employee market survey, we recognised that the pandemic presented a unique opportunity to analyse important aspects of how we work, and that many global organisations had had to adopt new working practices in order to stay in business. More than 2,000 employees across the UK responded to our survey, making up a representative sample of the UK workforce.





Key findings

- On average, employees admitted they were only productive for about 60% of their day.
- There was no overall material difference in productivity between those working in their normal place of work and those working from home
- Part-time employees tended to be slightly more productive than those who are employed full-time
- There was a positive correlation between the size of a company and productivity. This might indicate that competition for positions had a bigger impact on productivity than a smaller firm, where there are fewer people to do the work.
- On average, we found that younger employees (under 35) felt less productive by about 10 percentage points than older employees. In fact, there was a positive correlation between age and productivity across all the age ranges we looked at:

Productivity results

Age	18-24	25-34	35-44	45-64	65+
Productivity level	54%	58%	62%	67%	72%

It is important to keep in mind that factors created by the pandemic, which would not previously have been an issue, would have impacted the survey results. For example, normally office-based workers who worked from home for the previous twelve months may or may not have returned to office working.

Impact of community and relationships on mental wellbeing

Numerous studies have found a causal link between healthy relationships, the feeling of belonging to a community, and longevity or overall wellbeing. According to our survey, the impact on wellbeing of extended physical separation from work colleagues, by age group, was as follows:

Impact on wellbeing

Age	18-24	25-34	35-44	45-64	65+
Positive	20%	24%	20%	12%	3%
Negative	43%	36%	30%	25%	19%
No impact or N/A	37%	40%	50%	63%	78%

Separation from colleagues seems to affect the wellbeing of younger employees the most, so it makes sense that their productivity would also suffer - with 18-24 year olds only being productive for 54% of the day.

To support this further, we found that the number one reason for those who wanted to mostly work from the office in the future (so, for things to go back to normal), is to be with their colleagues. In contrast, those who preferred to work from home going forward (also the middle-aged group) expressed that productivity was their number one reason to do so.

There are two main environments resulting from the home versus office world we live in: a family or self-environment, and the other a colleague environment. Both of these are a type of community, and each is optimal for a certain type of employee.

“Find the optimal mix of these communities for your workforce and you would be a good way down the track of finding the hybrid-working model that works.”

Intuitively, the data we gathered makes sense. Anomalies and exceptions do exist, but in general, younger employees tend to be in the phase of their life where they are physically breaking away from their family or the community that nurtured them from birth, in order to discover new communities to build their careers. The most important of these is the colleague community.

As time goes on, a new stage of life begins with newly defined priorities and responsibilities: our romantic relationships, children, and so on. While still important, our colleague community now takes second place on the list. In support of this reasoning, our data shows that another switch happens for the 65+ age group, who revert back to preferring to work mostly in the office, or with colleagues.

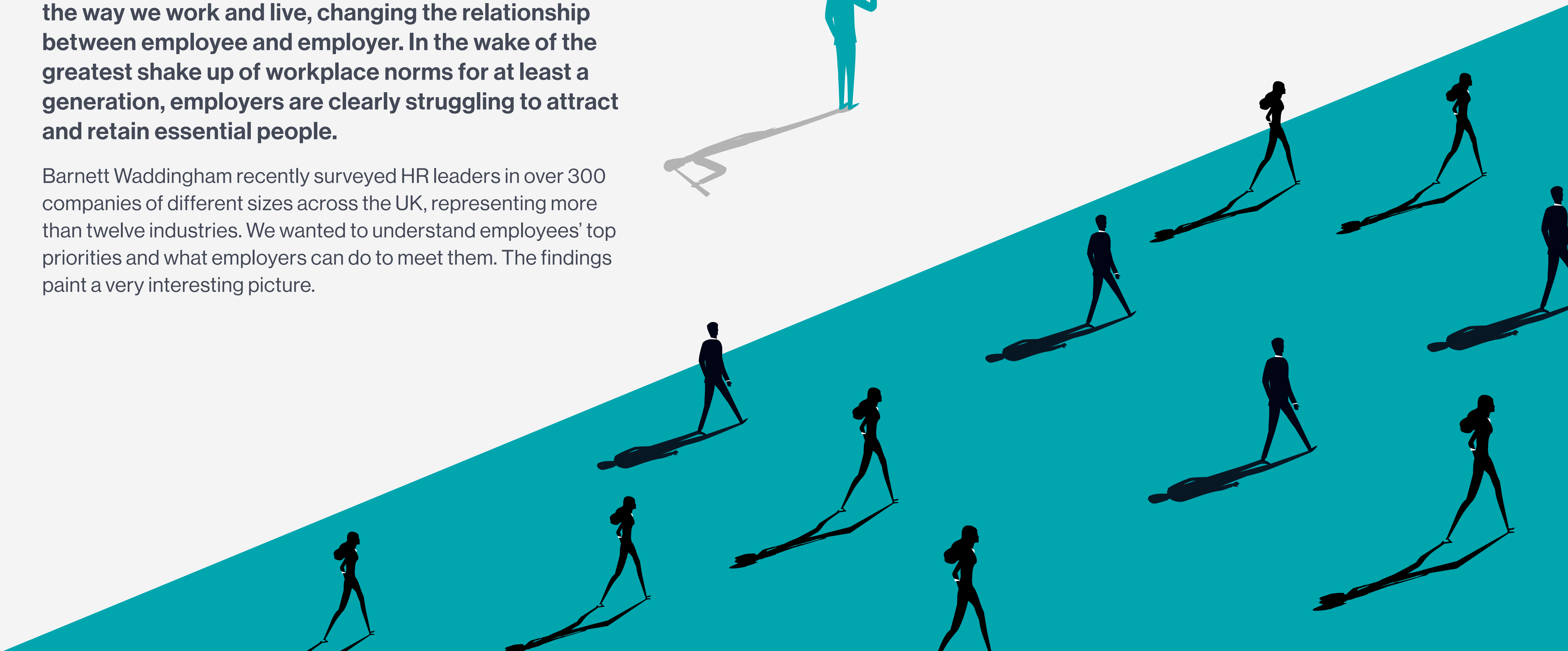


Survey 3. 2021

The employer-employee power shift

Jump forward to 2022, and the pandemic has reset the way we work and live, changing the relationship between employee and employer. In the wake of the greatest shake up of workplace norms for at least a generation, employers are clearly struggling to attract and retain essential people.

Barnett Waddingham recently surveyed HR leaders in over 300 companies of different sizes across the UK, representing more than twelve industries. We wanted to understand employees' top priorities and what employers can do to meet them. The findings paint a very interesting picture.



The Great Resignation – power to the workers

From about a year ago we have been witnessing a steady shift within the job market, as control has moved more from the hands of the employer into those of the employee. 2021 was the year of the “Great Resignation” – a year when workers voluntarily quit their jobs at historic rates. We saw the beginnings of what has now become a fully-fledged employee driven market.

Our 2021 survey indicated that one out of every three workers were willing to resign from their job should their employer not agree to their choice of hybrid working arrangement. This might have sounded extreme a year ago, almost like an ultimatum. But has this borne out in reality in any way? The short answer is “Yes, it has.”

Hybrid working - getting it right

Our recent survey found that employees’ dissatisfaction with their employer’s hybrid working policy was indeed one of the main reasons for resignations over the last twelve months, with almost 60% of respondents in agreement. If this is a true indication of what’s going on out there, it more than validates the warning signs from last year. Was employee dissatisfaction with their employer’s hybrid working policy one of the main reasons for resignations?

Our survey results showed –

Yes, anecdotally	31%
Yes, through exit interviews	28%
No anecdotally	11%
No, through exit interviews	12%
Not sure or N/A	18%

“Close to one out of every three workers were willing to resign from their job should their employer not agree to their choice of hybrid working arrangement.”

What is at stake for employers?

Before we look at how employers have reacted to this trend, let us first consider what is at stake. That is to say, what is at stake for the employer and, in part by extension, the wider benefits strategy and the economy as we know it?

We should also recognise that as marketing power shifts towards ordinary workers, the stakes for employees themselves start to diminish. Job opportunities are in abundance - the ONS reports that job vacancies in the UK rose to a new record of 1.3 million in the period from Dec 2021 to Feb 2022, with half of all industry sectors showing record highs. This means that many normally risk-averse people are now willing to take a chance at being an entrepreneur, starting their own business or going off somewhere to do that thing they have been threatening to do since school! This all makes the situation for traditional organisations even more desperate.

Back to the productivity question

This time around, when we asked employers the question -

“Out of a standard number of contracted hours per day, how much time do your employees spend performing productive work?”

The results showed 61% as the average rate of employee productivity. Interestingly, this is the exact same results as when we'd asked employees directly the year before. Employer and employee assessments on productivity appears to be consistent.



Wellbeing and productivity

The relationship between employees' happiness and wellbeing and how productive they are is well established. Whilst productivity (whether perceived or real) remains at these levels – as low as around 50% on average in the Healthcare and Education industries – employee wellbeing should be a low hanging fruit for employers since it already demands a lot of attention in its own right.

“Our survey indicates wellbeing ranked as both the number one HR challenge of this year (mental health) and top of the list of impacts the Great Resignation has had on talent management. Overall, there is a significant alignment between the impact the Great Resignation has had on the job market and the challenges employers now face — attracting talent, holding on to the best talent, preventing team burnouts and managing Covid-related issues.”

Biggest HR challenge this year – respondents were asked to select up to five of their biggest challenges

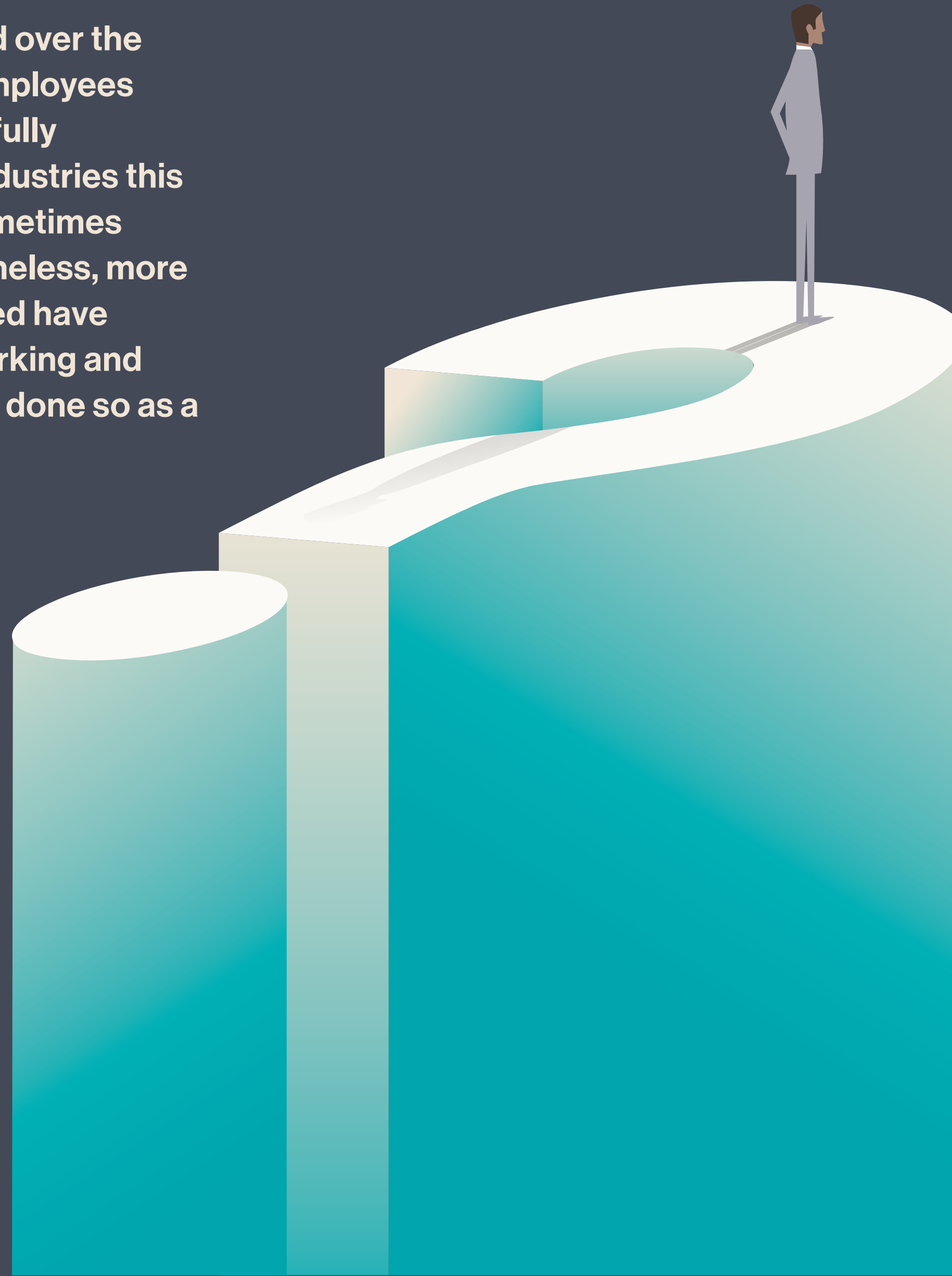
Mental health	41%
Retaining key staff	36%
Recruitment	36%
Covid related absence	31%
Skills gap	29%
Effective hybrid working	26%
Appropriate employee benefits	22%

Great Resignation impacts – respondents were asked to select all impacts that apply.

Mental health	41%
Retaining key staff	36%
Recruitment	36%
Covid related absence	31%
Skills gap	29%
Effective hybrid working	26%
Appropriate employee benefits	22%

So, what do employees want?

In response to how the world changed over the last few years, not to mention what employees now demand, employers have had to fully embrace hybrid working. In certain industries this is a more difficult challenge and is sometimes almost impossible to achieve. Nevertheless, more than 70% of organisations we surveyed have implemented some form of hybrid working and more than a third (38%) of these have done so as a direct result of the pandemic.



For some, setting up hybrid working is a costly exercise with more than three quarters (77%) of employers saying an investment in suitable technology is the biggest cost. It might also not prove to be enough. Today, companies are required to diversify their employment, offering more than ever before in terms of broader and better benefit options. We see significant value in the straightforward inclusion of some of the more traditional employee benefits, such as paid sick leave, Retirement benefits, Employee Assistance Programmes (EAP), Shared Parental Leave, Private medical insurance (PMI) and Life Cover.

The importance of ESG

The more subtle yet hot topic on the attraction agenda is an organisation's stance on environmental, social and corporate governance (ESG).

Today, employees hold companies a lot more accountable for their views and actions around the different aspects of operating a sustainable and socially responsible business. Although HR's objectives seem to be aligned with such a requirement - more than 80% confirm that ESG considerations influence their employee benefits strategy – our survey suggests there might be question marks at the organisational level. For example, only 22% of organisations have made a net zero commitment, with a further 14% saying they might commit to this in future.

Net zero commitment responses –

Yes, we have done this	22%
No, but considering this	18%
Not considering this and no understanding	17%
Not considering this but do understand	17%
Yes, we will do this	14%
Not considering this	10%
Not sure	2%

Diversity, equity and inclusion (DE&I) also continue to contribute significantly to an organisation's overall ESG allowances and, on this front, it seems ethnicity and gender equity are top of the list when it comes to impacting policy, with 78% saying these propositions are well developed or busy being developed.

“Leading the pack here are the IT and Retail sectors, with almost 30% confirming they have made a net zero commitment.”



Winning the race for talent

In the wake of the Great Resignation, what factors should organisations be concerned about?

“It’s clear that a complex race for talent is underway. So, the employee value proposition needs to be attractive enough for employers to successfully compete.”

Attraction is one thing, but retention and development are often what really sets employers apart. Here are some examples from our research where organisations are doing the right things to retain employees.

- Between 20% and 30% of employers offer work placements for 16 to 18 year-olds, paid work experience, paid internships and graduate schemes.
- We have seen an increase in wellbeing investment over the last twelve months.
- Bonus commitments are being honoured by employers.
- Organisations are committing to stay the course with their employees by expanding their at-retirement support offering.

Wellbeing investment over the last twelve months

More investment	68%
About the same	22%
Less	5%
None	5%

At retirement support over the last 12 months

Workshops	40%
Group training sessions	39%
Written comms	35%
1-1 training sessions	28%
IFA referrals	15%
None	11%
Not sure	3%

Measuring effectiveness

The solutions to the current employer challenges discussed here can only make a difference if organisations show that they are willing to get serious with their HR analysis and budgets. A well-developed pension strategy can make little impact in a revolving door employment environment – employers need a forensic understanding of their employees' priorities and a convincing approach to how they structure both the world of work and their wider benefit package.

Our findings show that the vast majority (90%) of HR teams across the UK today make use of people analytics to assess whether employees get the value they expect from their benefits. Whilst this sounds encouraging, we need to explore the extent to which these analytical measures are applied in an effective manner. Barnett Waddingham call this 'Employer DNA'. It involves getting under the skin of management information, helping employers form a clear picture of talent acquisition and management in their organisation. However, like human DNA - the bits of cellular building blocks that carry the information needed to "create" every one of us – an organisation's DNA is only as good as the shape it makes. Actions organisations take to deliver change in their employee propositions need to be aligned with their objectives, the employee value proposition and the nuanced realities of a rapidly evolving employment market.



**Pensions
Management
Institute**

Knowledge