

# Status of Digitalization of Total Rewards

January 2023





## CENTRALIZATION OF DATA

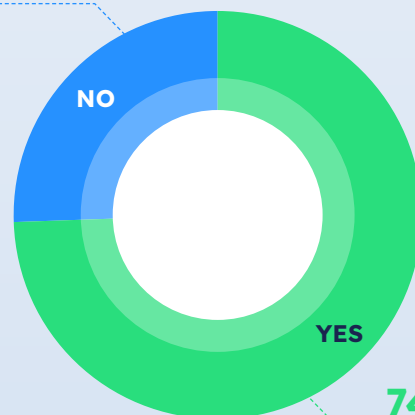
### **Do you have a single global HRIS for all employees, all countries, and all entities?**

It is clear that HR has been on a digital transformation and the results here of 75% having landed on a single global HR Information System for all company profile data of countries and entities, as well as for employees, is an encouraging sign.

The power of consistency and access to the data of truth is clear. One set of HR data for everyone to access.

This speaks to how HR are ready to go that step further, and ensure total reward data is also joined up and fully digitised, with one agreed set of reward data across the whole organisation.

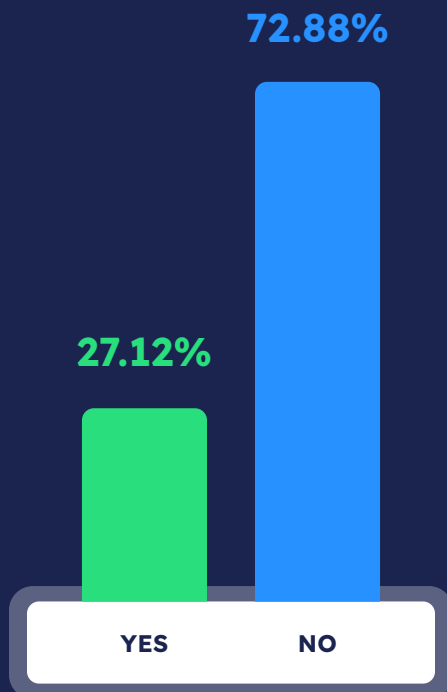
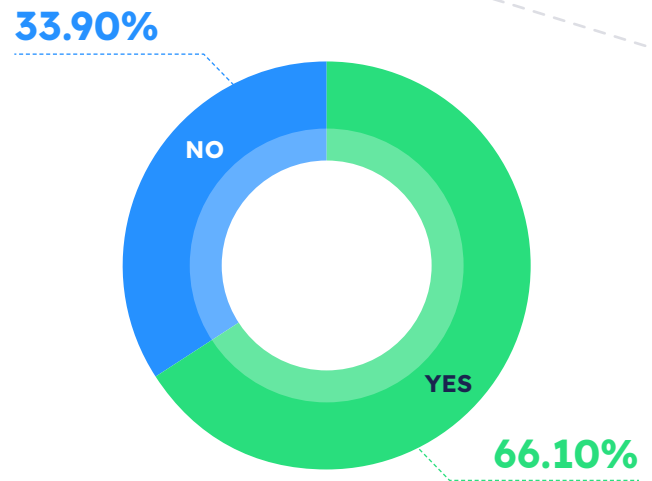
25.42%



74.58%

### Do you have a single salary data source for all employees, all countries, and all entities?

This made us stand up and take notice! The fact that one third of organisations still do not have one single source of salary data (i.e. salary being just one component of total reward spend) speaks to how far we still have to go within total reward technology. Salary is the one reward element that is usually tightly managed, with visibility easier to come by than benefits and bonuses and stock, and pensions.



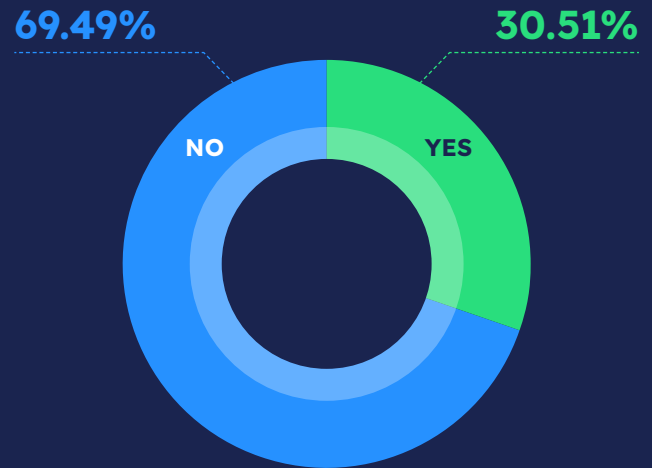
### Do you have a single source of benefits cost data for all employees, all countries, and all entities?

Benefits as we all know are complex with disparate and differing approaches from region to region, business to business.

With that in mind we are encouraged that 28% of organisations asked do have a single source of benefit costs data. This number decreases the larger the organisation, with this number plummeting for those with over 50 countries.

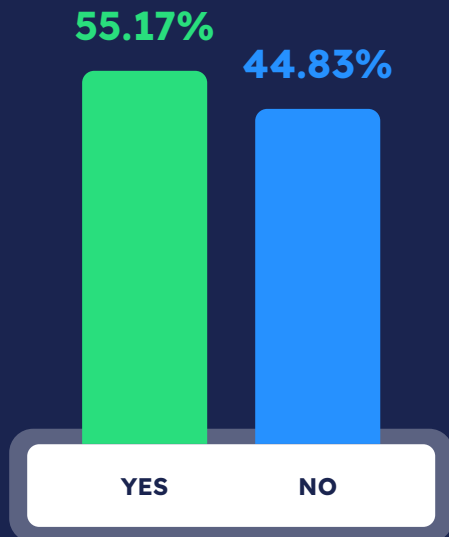
**Do you have a centralized data set for your pensions policies and individual contribution for all employees (and cost to the employer), in all countries and all entities?**

Pensions are typically complex and disparate across any organisation. The complexity comes from local legislation, initiatives like auto-enrolment, and the different types of pension plans in play. Therefore it is no surprise here that nearly 70% of organisations do not have a centralised repository of pension policy or employer cost data. Typically, like any other reward policy in the benefit space, pensions are localised, and having employer cost data is hard to come by. We see that just over 30% of organisations do have this centralised access to data within pension policy and typically this would be for a smaller organisations. As such we are not surprised by these results.



**Do you have a centralized data set for share award policies and vested/unvested values for all employees, in all countries and all entities?**

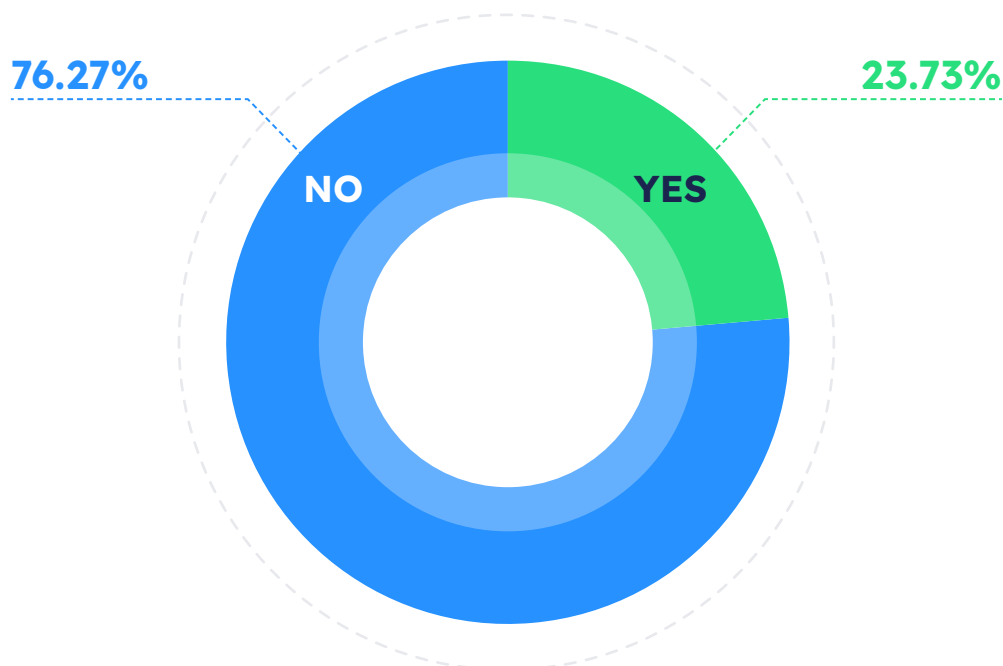
This is interesting because stocks and shares are typically well managed across organisations. For large organisations shares are typically offered within only a handful of countries and rarely is it a global enterprise wide reward programme. That said, we are not surprised by these results here given that 56% of organisations asked do have a centralised data set for shares and stock. This is probably because shares administrators are laser focused on what they do and so we suspect that the majority of those that answered yes to this question would have shareplan administrators in place from which the organisation can obtain data from. Generating vested and unvested valuations are relatively straight forward to gather because of the nature of share programmes.



## Do you have a single global platform that holds all reward policies for all employees in all countries and all entities, that is linked in real-time to all the previous systems?

In many ways the answers to this question reflect why uFlexReward exists. If we round these results to 25% yes and 75% no it's likely that those answering yes, while global in nature may only be a handful of countries. These results mean that the 25% of organisations who are able obtain real-time total reward data, have a huge advantage by gaining oversight on the huge reward investment being made, as well as actionable insights across reward data. It always amazes us here at uFlexReward that with total rewards being one of the largest expense categories across any organisations, in many ways it's the least analysed and understood for effectiveness.

This means there's a huge opportunity for organisations (particularly large global organisations) to be better at oversight and insights on reward spend. This is usually the final element of the digitalization of total reward journey. First you need to aggregate the data, this is the first part of the digital journey, but ensuring that each and every element of total reward is digitized is typically the final piece. Every total reward element has an eligibility rule and an amount. This amount can be a simple scalar (e.g., a fixed allowance amount), or it could be a simple formula (e.g., bonus calculation) or a complicated formula (e.g., pension). This is not easy to create and the reason this is the final step on the journey.





## REPORTING/ANALYSIS/MODELING

### Does HR supply reward data for financial reporting, business modeling, and analytics?

HR and Finance need to be joined up, and all too often the investment in reward results in two separate data sets that finance use, and HR use. Here we can see that nearly 75% of HR functions within organisations supply data to their reward colleagues for modelling analytics and reporting. Without a single source of data there can be no consistency or confidence in the data.

So we feel at uFlexReward that HR can be better. Supplying quality reward data across the business allows HR to be a leader in the analytical space. Consistency and confidence in data means better optimization of the spend across reward as well as better oversights and insights. Especially since the Covid-19 pandemic, HR has played a key role in the strategic direction of organisations with 75% of our respondents supplying data to the rest of the business without easily accessing that data, HR are wasting time and resources in gathering and normalising the data before supplying it. It's likely that the other 25% who currently say no to that question will be supplying financial reporting modelling and analytics data to the rest of the business in the near future.

74.58%



25.42%

YES

NO

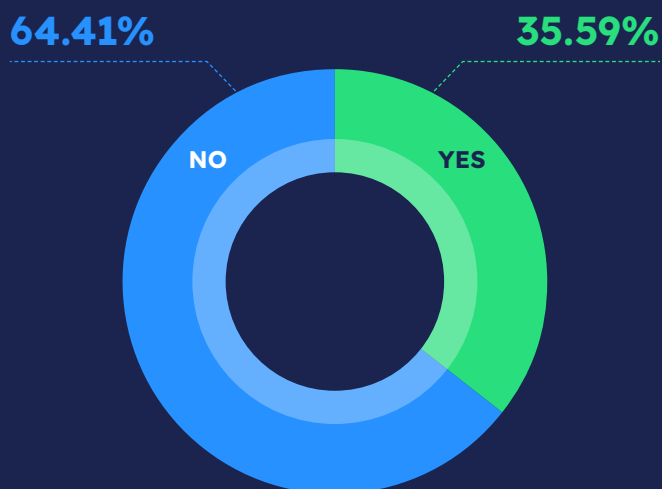




## Do you have real-time reporting access to all reward data for all employees, all countries, and all entities?

The business case for providing total reward statements to employees is as strong as it's ever been. Engaging your people is key. Here we can see broadly 2/3rds of our respondents do not supply total reward statements, let alone in real-time. Typically total reward statements have been a one and done once a year initiative. The business spend many hours gathering reward data across their enterprise, produce static statements either on word templates or printed documentation or even perhaps a PDF, for those statements to be received by employees and out of date in no time. Ensuring employees are aware of that full investment being made into your people better supports attraction and retention of talent. It still amazes us here at uFlexReward that straight forward communication of Total Reward is not more widely adopted.

We believe organisations are missing a trick in not providing total reward statements. We go a step further, and ensure that communication is two-way - where the business requests feedback from employees on how they feel about those reward programmes they receive, and the business aligns that to cost information.

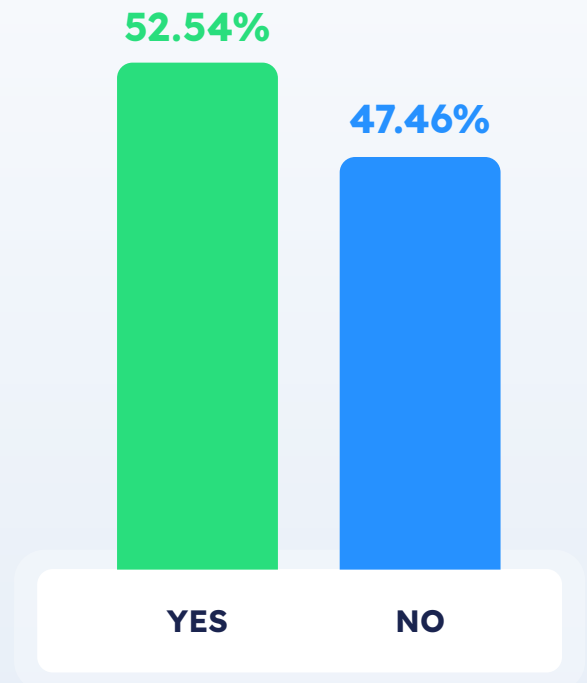


## Can you extract data from all your different systems to see the total reward cost for an individual employee or a selected group of employees?

By listening and understanding how employees feel about their reward programmes to build a picture of sentiment, HR and the rest of the business can better optimise that spend and reduce wastage and spot opportunity in providing reward programmes that employees really value and will be satisfied by.

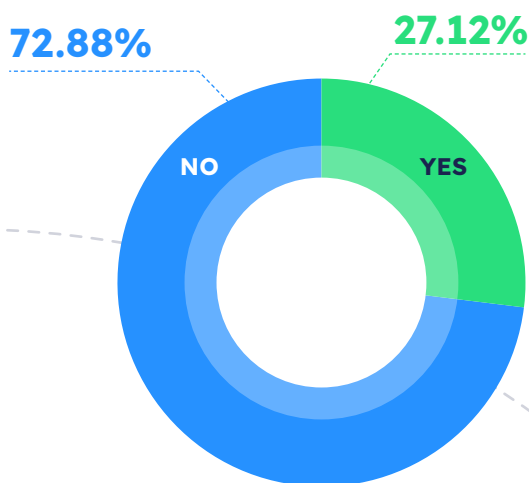
We see here that the vast majority of our respondents do not request itemised feedback on each of those reward programmes they provide their employees. 75% are not understanding the effectiveness of their spend on reward. What better way of understanding effectiveness of spend then to ask your own people? Aligning that with the cost to the business of the reward programme, genuine understanding of effectiveness or even ROI can be achieved.

It is no surprise to us that similar results have been found across those who provide total reward statements, and those who request real-time feedback. For us, these two initiatives go hand in hand, and organisations should look to ensure they do both of these activities to better understand the effectiveness of their spend.



## Subject to security permissions, can HR, Reward, or Line Managers search for and model all forms of reward for any employee?

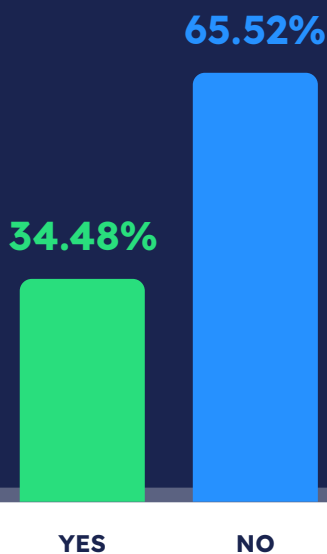
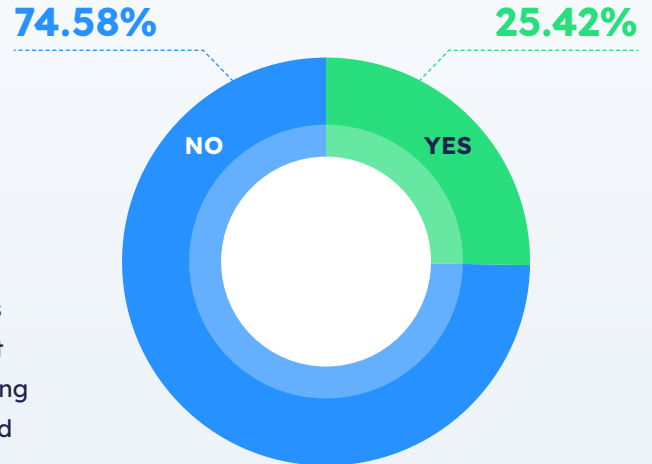
Actionable insights are a goal for any global organisation across HR, Finance and any other business function. Despite the HR digital transformation that's been going on over recent years, digitisation within total reward has still some way to go. There is no better example than the results of this question. Broadly speaking, 2/3rds of respondents do not have a joined up approach with reporting on one of their largest expense categories, total reward. How can organisations better understand that if they cannot see the spend? Why would any organisation have confidence in their data if reporting with a full data set is so hard to achieve? While we do not doubt organisations gather total reward data and get there eventually, many hours are spent in that process, and inconsistencies and inaccuracies are commonplace. Reward and Finance leaders, and any other consumer of the data, should have this at the click of a button. The likelihood of an organisation answering yes to this question reduces the more countries and territories the organisation operates in. The disparate nature of technology and the ecosystem of tech that supports HR and reward, is a key underlying reason for these results.





## Can HR, Reward, or Line Managers see the impact of a change in any reward policy to any employee alongside their existing package?

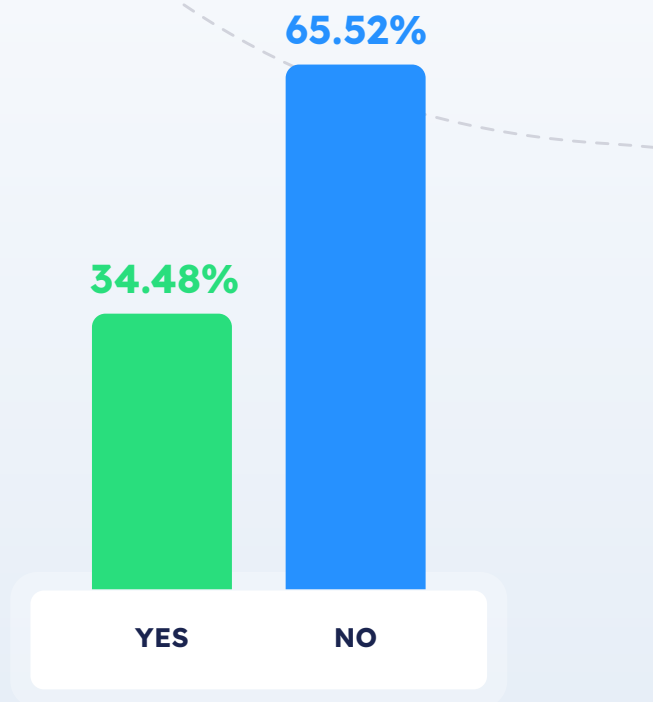
One thing is clear from these results, the data does exist across the business. That said, we are surprised that nearly half of organisations responded no to this question. The likely reason behind that result is that those who responded no get access to their benefits data via their vendors. So for them getting the picture of total reward spend for an employee or a group of employees is a very challenging task. While those answering yes to this question, are likely extracting data from various systems that support each of the reward components that make up total reward. So while they can access the data, it once again becomes a challenging fragmented frustrating and time consuming task. It involves phone calls to colleagues and vendors, it requires adjoining various spreadsheets and macros and vlookups, and anything and everything that is currently supporting that ecosystem of reward technology. It might be that they look in a local piece of technology and combine that with a global piece of technology. However they get their hands on it, it is a hugely suboptimal process.



## Can you produce real-time pay equity reports (gender pay gap, ethnicity pay gap), covering all employees, all countries, and all entities?

This once again reflects the lack of a structured approach to total reward programmes and spend. Some three quarters of respondents here are not easily able to search for, or model, all forms of reward for any employee and by extension cannot do so at a regional or global level. This speaks to an ever growing need to digitise all forms of total reward to complete the journey of digitisation.

It is certainly an emotive area and one we at uFlexReward keep an eye on regularly, just like our fit-bits!

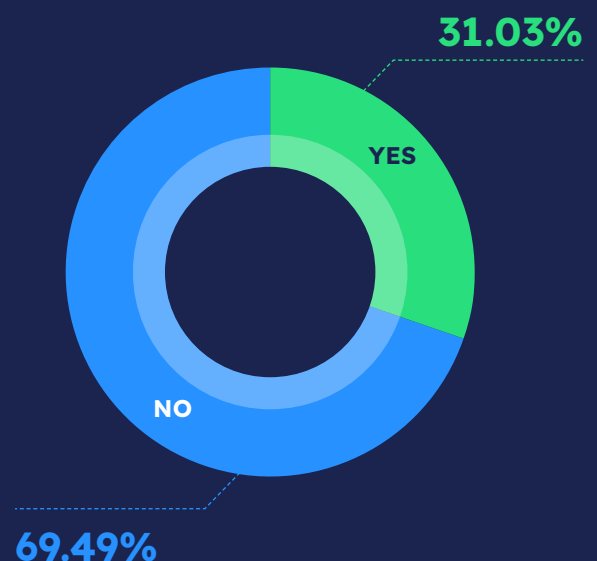


### Does your pay equity analysis include all elements of the total rewards package?

Workforce planning is key for any global modern business. The ability to spot the impact of changes in the demographic makeup of the business as well as seeing the impact of proposed changes on the largest expense category- reward- is key in ensuring businesses understand the true impact on cost when it comes to major structural changes to the business. Again businesses are able to gather and analyse the spend. But precious wasted hours are spent on the activity. Gathering and indexing a full inventory of reward programmes is the start in understanding the change to any policy across reward.

### Can you see the effect on pay ratios from changing specific reward policies before the changes are implemented?

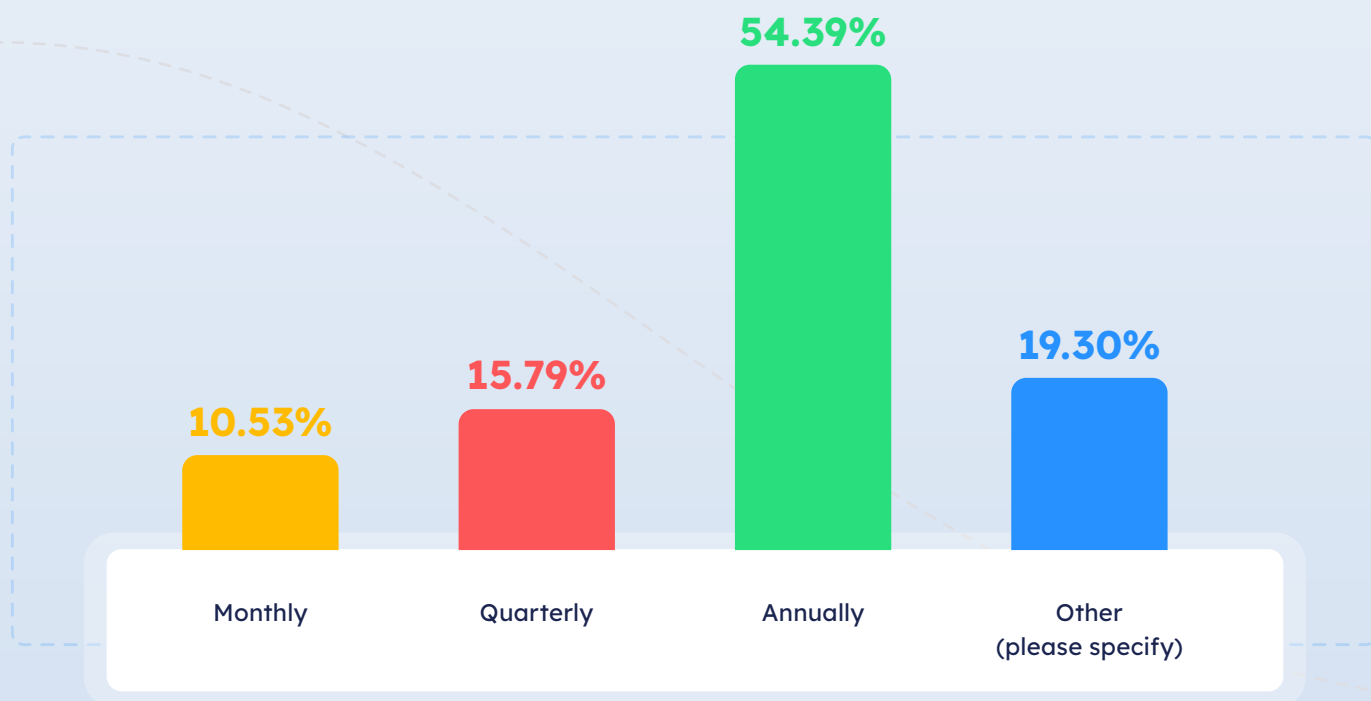
One of the challenges that organizations have is performing proactive analysis or the “what if” analysis prior to implementing reward policy changes. With the increasing focus on pay equity, fairness, transparency and other requirements like pay ratios, the impact and review on these areas before a policy change is fully implemented will become increasingly important. We see that almost 70% of organizations are not able to see the impact on pay ratios before a policy change is implemented. This means more time will be spent on the reactive analysis when the analysis is required. This will be an key part of your digitalization of total reward journey to ensure your reward policies are digitized and having the ability to perform these “what if” scenarios.



## What is the frequency of your pay equity reporting?

This is an interesting result to us. A surprisingly high number of respondents answered yes to this question, some 35%. It's likely that this relates to varying definitions of total reward. Some organisations may just be considering compensation and other fixed cash rewards. And they are including that in their Pay equity analysis. At uFlexReward we mean Total Reward, including benefits and perks, and so for us when we talk about total reward pay equity analysis, we mean all forms of reward that the employee is receiving from the business.

Again the opportunity for organisations to be transparent and fair across all forms of reward is hindered by access to data as well as local legislative requirements. By this we mean that organisations are likely to be following local laws and applying the minimum requirement, instead of aiming for a full picture of total reward equity oversight.

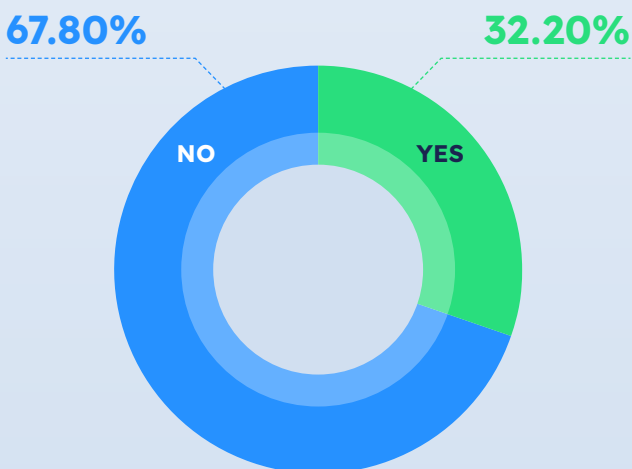


## EMPLOYEE ENGAGEMENT

### Do you provide all employees with real-time total reward statements?

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72.88%

27.12%

YES

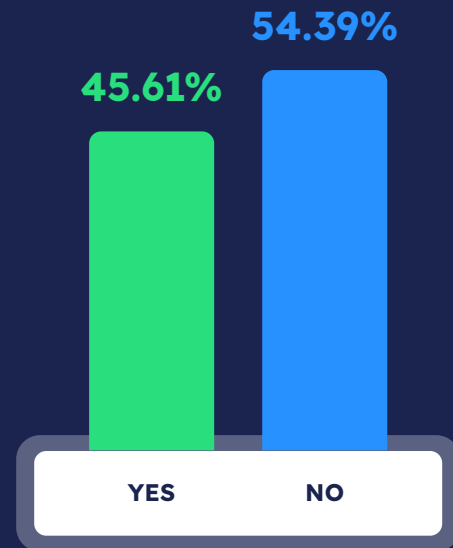
NO

### Can employees supply real-time feedback on each individual component of their personal reward?

The most revealing stat here is just under 20% perform a reporting frequency other than monthly, quarterly, or annually. By this we could assume that some organisations report even more frequently than that. However, that is not the case, as within this 20%, we have a mixture of 'in progress for the first time', 'ad hoc based on consultation with legal teams', through to 'no reporting at all'. For us monitoring pay equity should be a constant metric measured throughout the year at any given time particularly during annual cycle events such as pay review, bonus season, as well as at recruiting time. We see here that 50% report annually, which is broadly aligned to the likely local legislation requirement. To be a transparent progressive attractive employer, organisations require a constant measurement in real-time and a culture of transparency, not only across base pay but also across the total reward spectrum. This helps ensure inequities are not accidentally hidden within other reward components such as allowances and legacy benefits.

## Do you provide core benefits and flexible benefits to all employees globally?

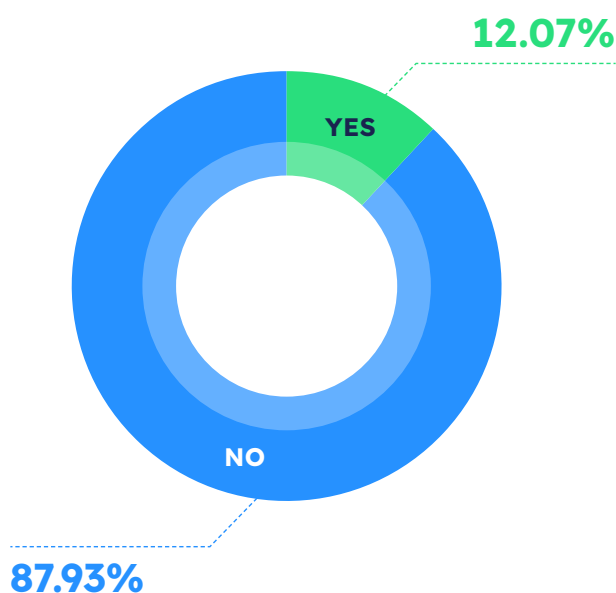
The demand for choice and personalization within other areas of people's lives is present and growing. It surprises us therefore that only 45% of respondents said yes when asked whether they provide core flexible benefits to all employees globally. It's likely that these global businesses will have many countries that do provide choice and flexibility within benefits. However to see such a large response answering no to this question (55%) shows the challenges involved in launching flexible benefits worldwide. This does not surprise us and yet choice is absolutely growing within total reward.



## Can employees personalize their reward between the big categories of: fixed pay, variable pay, pension, shares, and other benefits?

In relation to hyper-personalisation, it's clear that the industry has a long way to go and that there is huge opportunity to be more creative within total rewards. An overwhelming 88% of respondents answered that they could not, or do not, allow employees to personalise their reward between fixed pay and variable pay, as well as pension, shares and other benefits. While choice within benefits has been around for a number of years in many markets around the world, the idea that you can personalise across fixed and variable pay is something that we hear that organisations are interested to explore.

**Needless to say we would love to talk to the 12% of respondents who tell us that they do allow this level of personalization!**





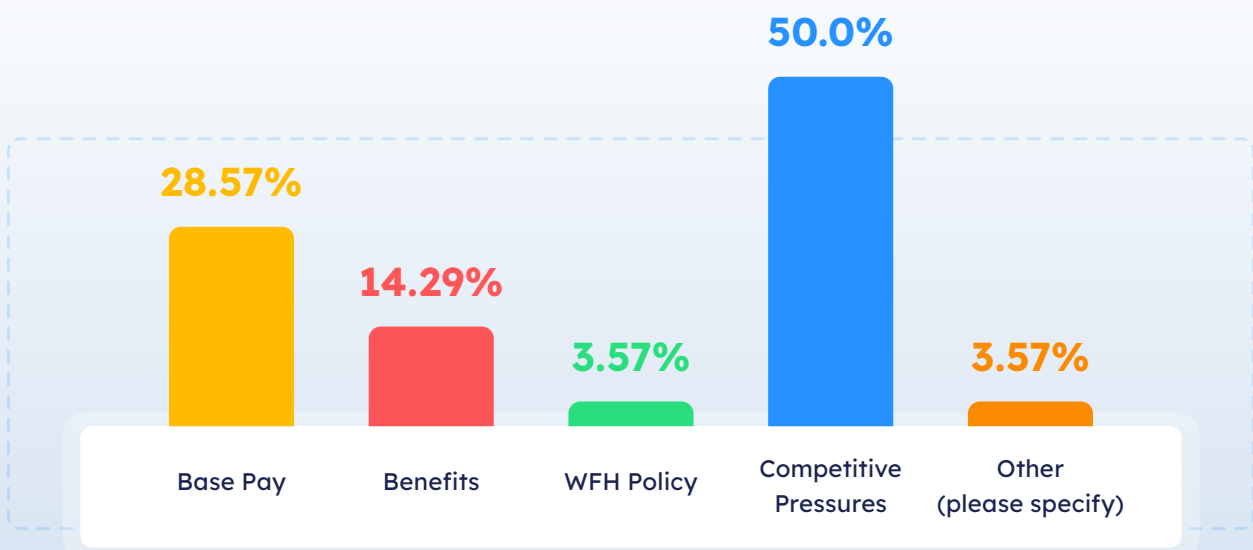
## CHALLENGES

### Top risks to retention in your company

While there are many factors that contribute to an employee looking to leave a company, it's clear that pay and benefits remain a huge factor. Some 43% of our respondents cite pay and benefits as a top risk. For us this is not a surprise.

As we talked about earlier, ensuring employees are aware of the full investment being made into their rewards (across all compensation plans and benefits plans) through engaging and impactful communication channels (across desktop and mobile) plays a pivotal role in reducing that risk to retention.

It's likely too that the 50% of respondents indicating competitive pressures, have guarding against more attractive reward packages elsewhere in mind when answering this question.



## Barriers to decision making in your reward processes

The results here show its operational inefficiencies, not the ability of staff and analytical potential, and the disparate nature of technology leading to increased time to gather reward data. This is coupled with the amount of people and departments and teams and entities at the very heart of organisations that lead to these types of inefficiencies. Some 25% of respondents said the barriers to making improved efficiency within reward processes, is related to the number of people and departments involved. This leads to the third highest barrier of the time to gather the data. These two barriers are inextricably linked. And the very lowest barrier our respondents highlighted was the skill of their people, with only 3.6% calling out this as a barrier to decision-making. This just goes to show that given the right tools, reward professionals are able to better optimise and understand the investment, and gather insights and oversights into that spend leading to better outcomes for the business.



## Conclusion

Every organization is on a digitalization of total reward journey. The question is where are you. Total Rewards is being view more holistically by the employees. Organizations are going to be better positioned to attract and retain the best talent If they can do three things:

- Have more visibility in their total reward spend
- Ability to communicate all of the reward elements that you provide to each employee and
- Have a mechanism to better understand the perceived value of each and every total reward element.

However, these imply that you must have easy access to all of the data all of the time.

This study provides a first insight into where organisations are at on these critical reward technology initiatives and how global organisations are making progress on understanding and digitising reward more broadly. It is a board level agenda item like never before.

While organisations battle with priorities in challenging economic landscapes, one thing does not change. Reward is one of the most expensive cost categories for any global organisation, as well as an emotional component to any employee value proposition.

Using technology to holistically obtain oversight on all spends, while gaining insight into what reward programmes are working, which ones do not, to then in-act change with agility accordingly, will become an increasingly important initiatives for organisations over the coming years.

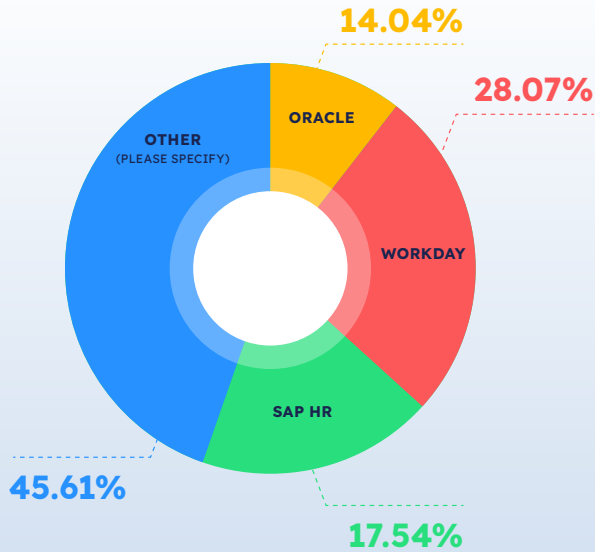
**Best of luck on your digitalization of total reward journey. If you need any assistance to further your journey, please let us know.**

[www.uflexreward.com](http://www.uflexreward.com)

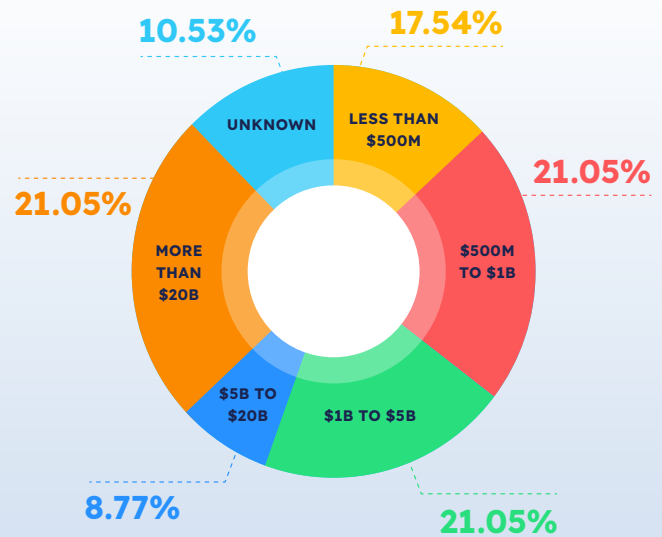


## Participant Demographic

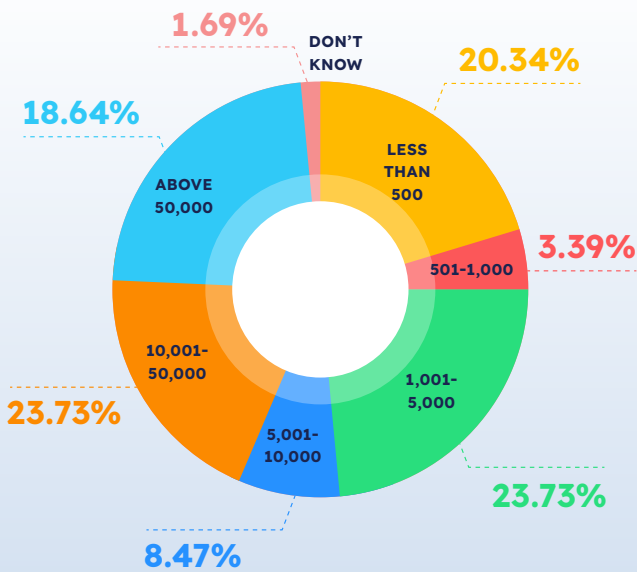
We had 59 overall participants with the following profiles:



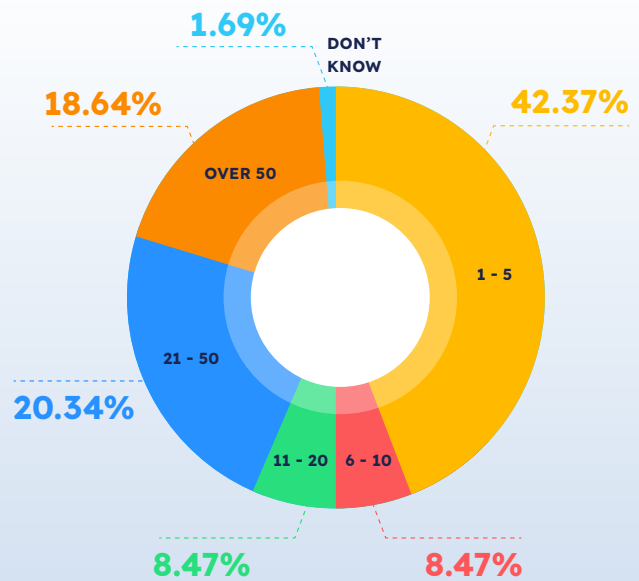
NAME OF HRIS IN USE



GLOBAL COMPANY REVENUE IN USD



NUMBER OF EMPLOYEES



NUMBER OF OPERATING COUNTRIES