

DARWIN

2020
/ 21

The



of

agility.

Flexible, adaptable
and resilient benefits

With a foreword from Global Industry Analyst Josh Bersin



Contents

Foreword4

Introduction6

1 The drive towards global consistency 8

2 Providing a better user experience 16

3 Improving the efficiency and security of data management 22

4 Harnessing the power of data 30

5 A digital-first approach 38

6 Embrace the new normal 42

Conclusion 46

Methodology 48

Appendix 49

About Darwin 50

Foreword

A healthy employee experience is now central to business survival.

The global pandemic has radically changed the way we think about work. Not only have more than 40% of employees started to work from home, virtually every employee is now concerned about the hygiene, safety, and productivity of their entire work experience. And HR departments have been jumping into action.

As we've studied the global response to the pandemic, one thing is now clear. Employers must think about wellbeing, emotional health, and family support as far more than "benefits" – these services are now critical employer services that employees need every day. We just completed a global study of nearly 1,500 companies around the world and 79% now rate "employee health and safety" as their #1 concern and 71% believe that "empathizing with employee and customer fears" is now essential to their success. Tie this in with the findings in this report that show a huge shift towards centralization to provide a globally consistent experience and feeling of community, and the continued emergence of employee-centric strategies is clear.

What does this mean to the entire benefits marketplace?

It means that HR professionals must now look at the entire constellation of wellbeing solutions and bring them together in an integrated way for their workers. Companies like Chubb Insurance, Deutsch Telecom, and IBM are offering a wide range of physical, emotional, and family health services and more than 80% told us that their "digital delivery systems" are now critical to their health and benefits offerings.

For vendors in the benefits and wellbeing market, it's one of the biggest business opportunities in a decade. Employers are more than willing to spend money on integrated wellbeing and benefits platforms, and they want new added services for behavioral health, family support, childcare, education, exercise, and financial fitness. If you as an employer have not yet invested in an online benefits platform, the time to start is now. Employees need a place to find and register for help – and you need a place to communicate, integrate, and listen to your employees.

In the middle of this transition, new tools like Microsoft Teams, WebEx, Slack, and Workplace by Facebook are also exploding with growth. So while companies desperately need online platforms for health and benefits offerings, they are also looking to access these solutions through their existing systems of productivity. This is why almost every HR Tech provider, regardless of their offering, now offers apps that integrate their content, services, and features into these systems.

79% now rate "employee health and safety" as their #1 concern.

If you're an HR professional, I encourage you to lean hard on these digital systems. Company after company tells me stories about how they've rapidly built a new online portal for communication, family support, feedback, or employee self-service. Companies like Deutsch Telecom uses WhatsApp to let employees teach others how to react and respond, and companies like Verizon and others have weekly meetings for managers to share best practices in resilience and health while working at home.

We're fortunate to have a robust and experienced marketplace of benefits and wellbeing providers to help us. Vendors have stepped up quickly, now offering social distancing, attestation, location services, and reporting apps to help make virus-free work life easier. But you have to deploy this on behalf of your employees, and make sure you don't just "throw a lot of tools" at the problem.

The pandemic has brought HR and the HR tech market together. The next year is an opportunity to accelerate your work to create an integrated, healthy, and productive employee experience. I encourage you to read this report and use it to help you plan your important work. Today there's nothing more important than making employees work lives safe, healthy, and purposeful.



Josh Bersin
Global Industry Analyst
Dean, The Josh Bersin Academy

Introduction

Almost overnight, the COVID-19 pandemic has transformed the work experience for millions of people across the globe.

According to estimates from the International Labour Organization, at the end of May 2020, 94% of the world's workers were living in countries with a degree of workplace closure measures in place.¹ And by August, only 24% of the world's countries had no workplace closure measures in place². Millions of employees across the globe found themselves forced to work from home – many for the first time – while even more were furloughed or lost their jobs altogether.

For HR, the impact has been huge – rarely has the spotlight shone so brightly on this function, and many felt the strain as they do their best to support their employees through this incredibly difficult time, while also trying to maintain operations. In particular, the huge rise in remote working exposed flaws in many employers' benefits packages and benefits management systems (or lack of systems, in some cases). Employees have sometimes found it hard to access details on their reward and benefits from home, while some have complained that their employers haven't done enough to tailor their existing benefits to meet the needs of homeworking.³

Research by the Top Employers Institute, for example, found that several leading employers are prioritizing the wellbeing and protection of their employees at this time – including Coca Cola, Infosys and DHL.⁴ Employers worldwide should reflect and examine the benefits they are offering their people – and the platforms they are using to administer and deliver them – making sure they are designed to enhance the employee experience. Employers need to recognize there will be no return to 'business as usual' for the foreseeable future and instead they need to adapt to the 'new normal', ensuring their employees' changing needs are supported – no matter where they are based.

An opportunity for reinvention

Crises such as these cause devastating disruption. But with disruption comes the opportunity to reflect, reset and reinvent. The COVID-19 pandemic has brought a shift in focus for many employers, from business outcomes to employee welfare.

The workforce has been forced to cope with unprecedented change – but this can also be a unifying experience that helps build trust and loyalty between employers and their employees, and this must continue to be nurtured.

1. International Labour Organization (2020). ILO Monitor: COVID-19 and the world of work. Fourth edition. 27 May 2020. Available at: https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745963.pdf
2. Our World in Data (2020), Policy Responses to the Coronavirus Pandemic. Available at: <https://ourworldindata.org/policy-responses-covid#workplaces-closures>
3. Tiger Recruitment (2020) Work in the Time of Coronavirus. Available at: <https://tiger-recruitment.com/tiger-recruitment-covid19-2020-survey/>
4. Montet, B. (2020) COVID-19: What are the HR priorities for Top Employers? Top Employers Institute. Available at: <https://www.top-employers.com/en/insights/workforce-planning/COVID-19-what-are-the-hr-priorities-for-top-employers/>

Benefits systems need to be more flexible, more adaptable and more resilient

The current crisis has also highlighted the fragility of many employer's existing employee benefits systems, many of which weren't designed to be accessed or managed remotely. Employers without digital solutions that are fit for the future of work will find it increasingly difficult to cope with the demands of a global workforce – they need platforms that are more flexible, more adaptable and more resilient. These will be essential to delivering that all-important employee experience. Systems need to be secure enough to handle processes over home wi-fi connections and easy enough to use to keep employees engaged while working remotely. Employers that already have robust systems in place will lead the recovery – others need to catch-up quickly or risk falling even further behind. The situation is summed up by HR leaders Mara Swan and Tomas Chamorro-Premuzic at ManpowerGroup: “What the sceptic and change-resistant business leader may have regarded as tired HR clichés or management fads – for example, agile, remote and flexible work, leading virtual teams, resilient leadership and digital transformation – have suddenly become the key differentiators between those organizations most likely to adapt to the current crisis, and those that won't.”⁵

Existing priorities have been magnified

COVID-19 has also magnified employer's existing priorities and made them more urgent. Over the past few years, organizations have been focused on developing benefits programs that provide a consistent experience for employees no matter where in the world they are working. The importance of making sure every member of staff feels they 'belong' within their organization has never been clearer and multinational employers are likely to be

focusing even more strongly on creating a globally consistent reward and benefits experience for all their employees. The current crisis has demonstrated that this is not just an aspiration – it is a business necessity.

HR still needs to truly harness the power of data

Finally, evidence will be integral to proving the value of new policies and practices as we move beyond the current crisis – with budgets slashed and under ever tighter control, HR and reward will need to demonstrate a return on their investments now more than ever. But data analysis continues to be an area for improvement in many HR departments, with data systems difficult to use and data quality often lacking. Employers and providers need to work hand-in-hand to build systems that support straightforward data collection and analysis, which can provide clear evidence of ROI and provide actionable insights for senior leaders.



Chris Bruce
Founder & Managing Director
Darwin

5. Swan, M. & Chamorro-Premuzic, T. (2020) Redefining HR's priorities in a COVID-19 world. *People Management*, 30 March 2020. Available at: <https://www.peoplemanagement.co.uk/voices/comment/defining-hrs-priorities-in-a-covid-19-world/>

Chapter 1

The drive
towards

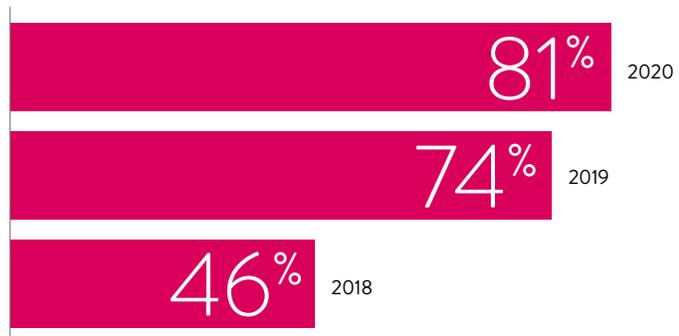
global
consistency

When it comes to employee benefits, multinational employers prioritize one thing above all else – providing all of their employees with a consistent experience, no matter where they are in the world.

Employers are focused on presenting each of their people with the same look and feel when engaging with their benefits, wherever they're based. They want everyone to have the same, high-quality experience. To be connected to and identify with the wider company culture. Global consistency is paramount.

This year, more than four-fifths (81%) of employers say that achieving a 'globally consistent employee experience' is a 'high priority' – and its importance has increased year on year since 2018.

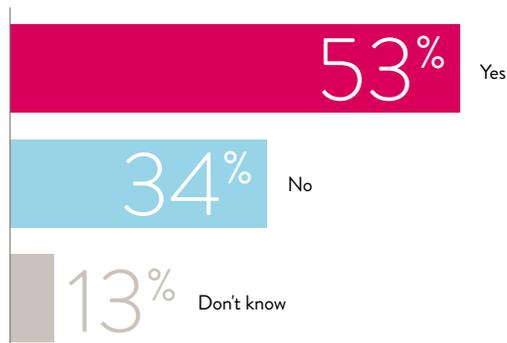
Fig 1.1 / Employers ranking 'Achieving a globally consistent employee experience' as a 'high priority'



Employers failing to 'walk the walk'

However, while huge numbers of employers are focused on delivering a consistent benefits experience to employees across all territories, it appears that many are 'talking the talk' but few are actually 'walking the walk'. Just half (53%) of the employees we surveyed believe they get the same benefits experience wherever they are based. The rest find themselves having to deal with regional anomalies, from inconsistent branding and confused messaging to different levels of relevancy and personalization with benefits that actually make a difference to them.

Fig 1.2 / Do you feel the employee experience at your organization is the same wherever you're based?*



* Data from employee survey

HR centralization: a lack of 'joined-up' thinking

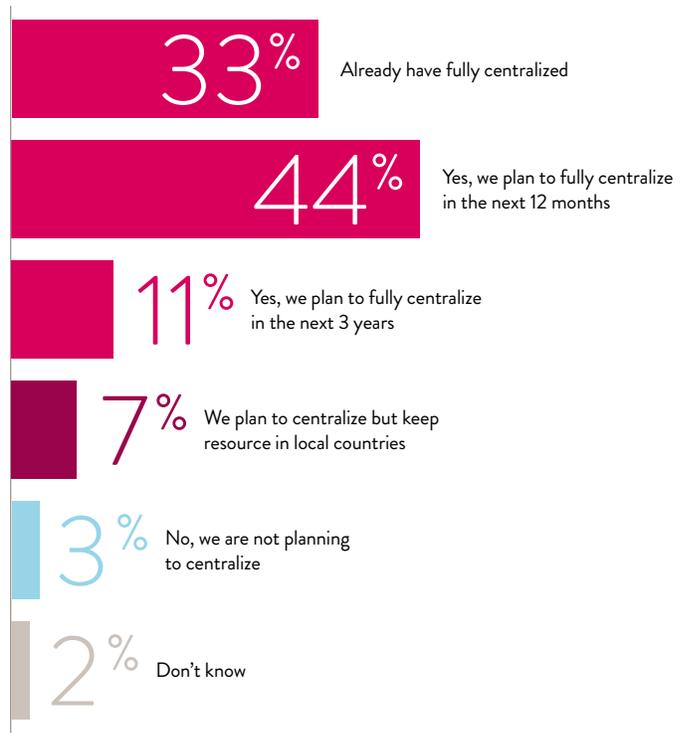
Employers are failing to put in place the infrastructure that will help them deliver the kind of 'joined-up' benefits experience they are striving for. While not a prerequisite for providing a consistent employee benefits experience, fully centralizing HR operations makes it much easier – allowing organizations to quickly and securely share employee data across countries, for example, and letting them use a single platform for all benefits administration. Yet just a third (33%) of respondents have fully centralized their HR operations.

Almost a further half (44%) have plans to fully centralize within the next 12 months, however, which will clearly have big implications for existing benefits teams and their roles and responsibilities. Indeed, if many of the tasks they currently perform are moved offshore, it could mean many of these jobs disappear altogether.

Within MNC's, benefit teams will continue to become more centralized. Not only to reduce cost, but also to increase control and global consistency. Because benefits are local to each market, this only becomes possible if the global benefits team has access to data and quality on-the-ground brokers and consultants.

Just a third 33% have fully centralized their HR operations.

Fig 1.3 / Percentage of employers planning to centralize HR operations



Achieving a balance between global consistency and local flexibility

So, if employers place such importance on providing consistency across their global operations, what is stopping them from delivering on it? The number one barrier is the need to satisfy local requirements. Different rules and regulations regarding benefits create huge discrepancies between nations. A great example is annual leave entitlements. The EU Working Time Directive, for example, requires all EU countries to provide a minimum of four weeks' holiday for full-time employees⁶.

6. European Commission – Working conditions: Working Time Directive. Available at: <https://ec.europa.eu/social/main.jsp?catId=706&langId=en&intPageId=205>

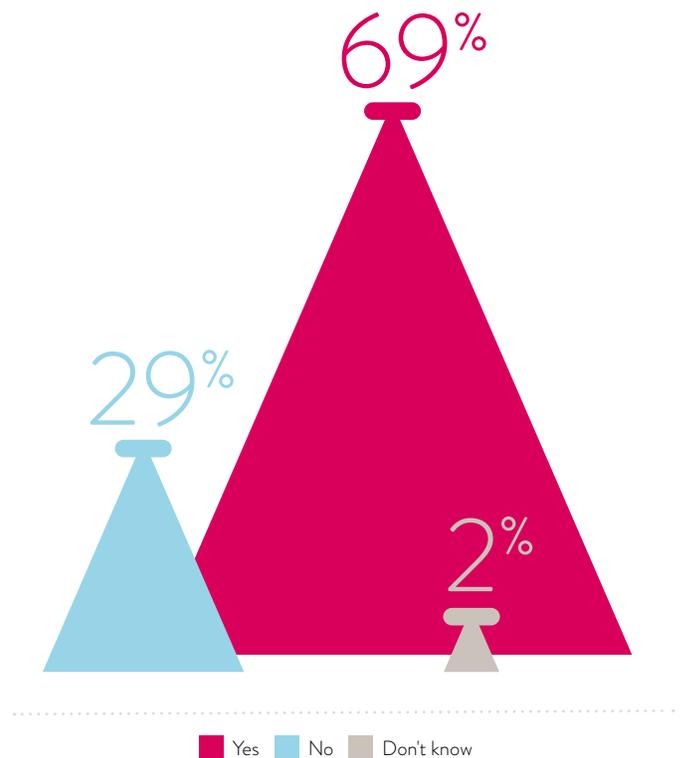
However, some opt to go higher than this - in the UK, for example, full-time employees are entitled to a minimum of 28 days' annual leave each year,⁷ while in Austria employees are entitled to at least 38 days' holiday a year.⁸ In contrast, there is no minimum federal or state statutory minimum paid leave in the United States - the amount of paid leave granted to employees is left to the discretion of employers.⁹

Different levels of social welfare provision and cultural norms may also impact the benefits on offer. For example, health insurance in the US often forms part of the 'core' reward package, while in the UK and Europe it is much more likely to be an elective option or part of a wider flexible benefits menu.

More than two-thirds (69%) of respondents say the requirements of local benefits schemes are getting in the way of global consistency. If employers are aiming to provide a globally consistent experience for all their employees, local variations will naturally create a few issues - but the need for local nuance and relevance is also valid. So a balance must be struck. Variations in the benefits offered should not prevent employers from defining a global benefits strategy and creating benefits systems that look and feel the same for all employees, regardless of location - and the back-end administration and management could also be centralized while maintaining local flexibility.

69% of respondents say the requirements of local benefits schemes are getting in the way of global consistency.

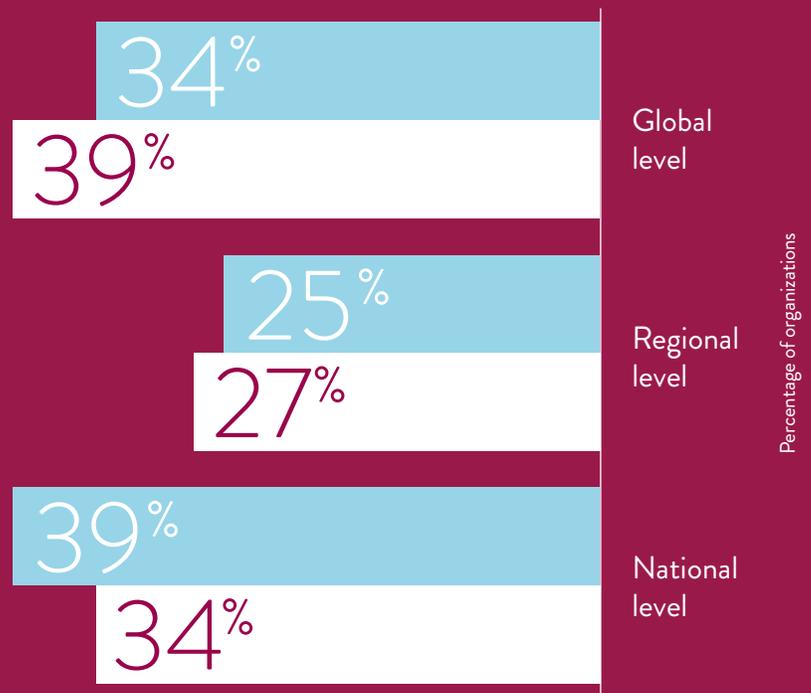
Fig 1.4 / Percentage of employers that feel that the requirements of local benefits schemes get in the way of global consistency



7. Gov.uk - Holiday entitlement. Available at: <https://www.gov.uk/holiday-entitlement-rights>
 8. Practical Law (2020). Employment and employee benefits in Austria: overview.
 9. US Department of Labor - Holiday Pay. Available at: <https://www.dol.gov/general/topic/workhours/holidays>

This year there has been a 6% increase in employers purchasing and administering benefits at a global level.

Fig 1.5 / At what level does your organization purchase benefits technology?

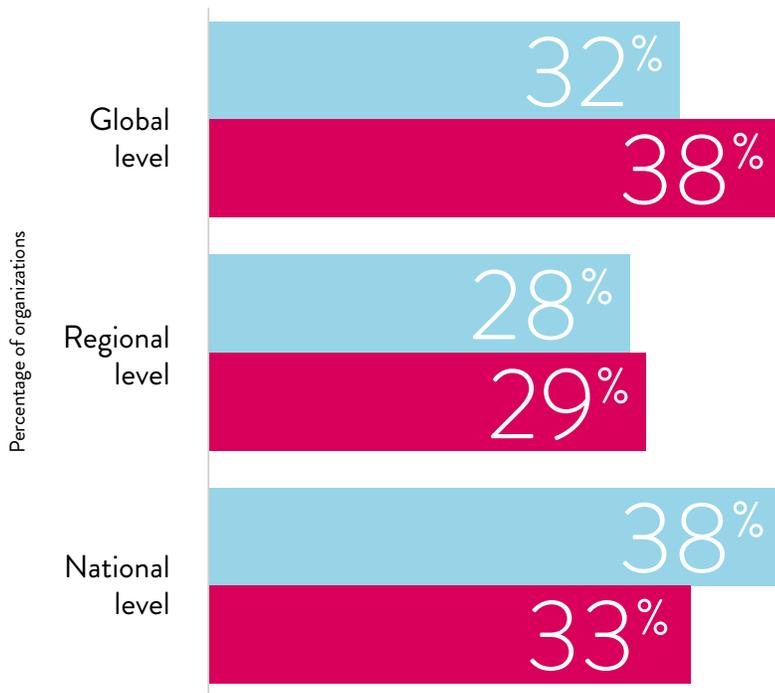


■ 2019 ■ 2020 *(remaining 2% from 2019 responded 'other')

The purchase and administration of benefits is global

It appears more employers are now recognizing that employee benefits technology can be purchased and administered on a global basis, while still catering to those all-important local needs. The percentage of organizations that purchase their benefits technology (39%) and/or administer (38%) their employee benefits on a global scale have both jumped since last year, while the numbers buying (34%) and/or administering (33%) on a national level have both fallen.

At what level does your organization **administer** employee benefits?

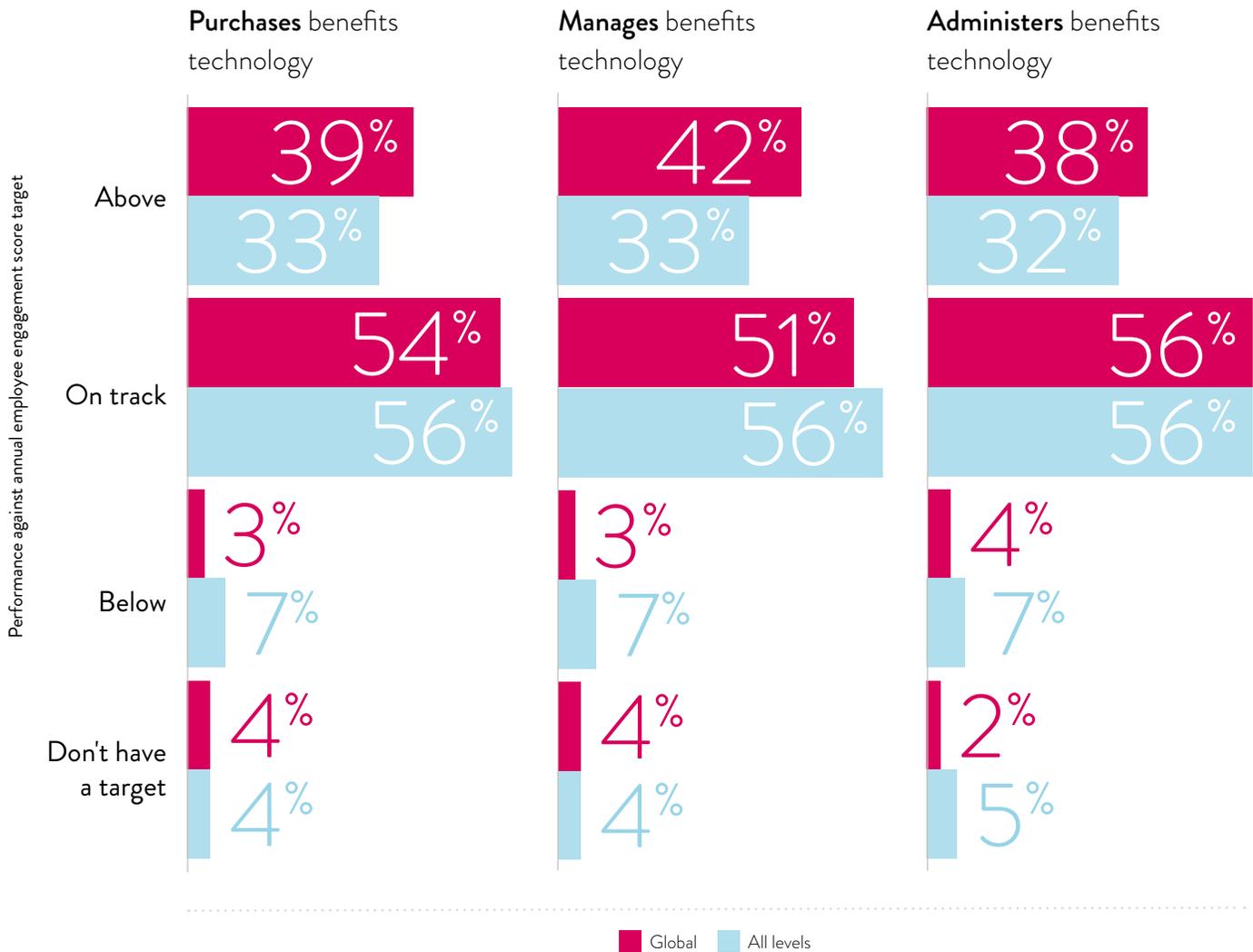


■ 2019 ■ 2020 *(remaining 2% from 2019 responded 'other')

Employers operating at a global and regional level stand to benefit financially from economies of scale.

Indeed, for the first time, more employers are purchasing and administering benefits on a global scale than on a national basis. Clearly, employers operating in this way stand to benefit financially from economies of scale – while administering benefits on a global scale could improve efficiencies (and increase consistency). This trend is a testament to the increased appetite among employers to deliver benefits globally – and to providers’ growing expertise in providing global solutions.

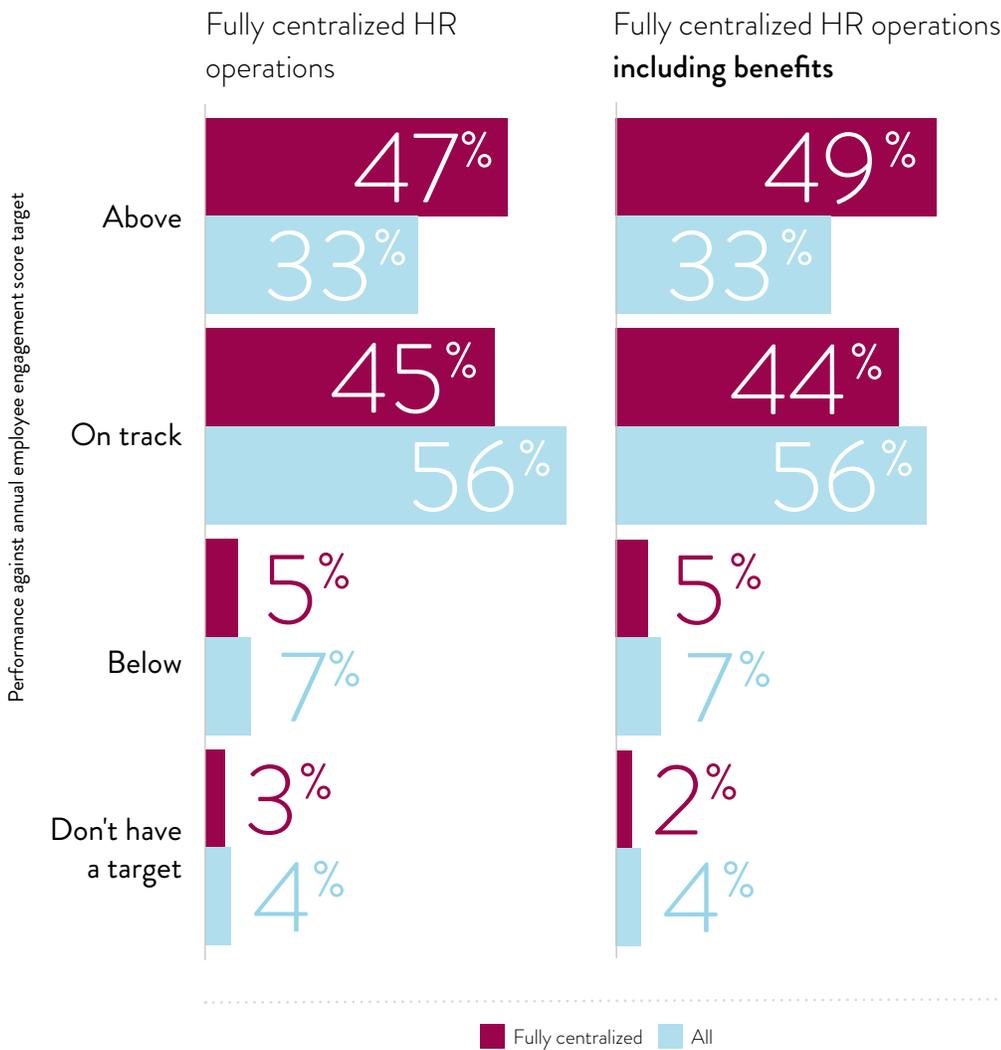
Fig 1.6 / How employers that purchase, manage and administer employee benefits globally are performing against their employee engagement score targets vs those that do so regionally or nationally



A more engaging experience: global consistency associated with higher levels of employee engagement

Given the relative lack of centralized HR infrastructures that employers have in place, it begs the question why so many employers are focused on providing a globally consistent benefits experience? Well, there is evidence that employers that purchase, manage and administer employee benefits at a global level achieve higher levels of employee engagement. Moreover, there is also evidence that employers that have fully centralized their HR operations achieve higher levels of employee engagement – and the correlation is even higher when benefits have been centralized too.

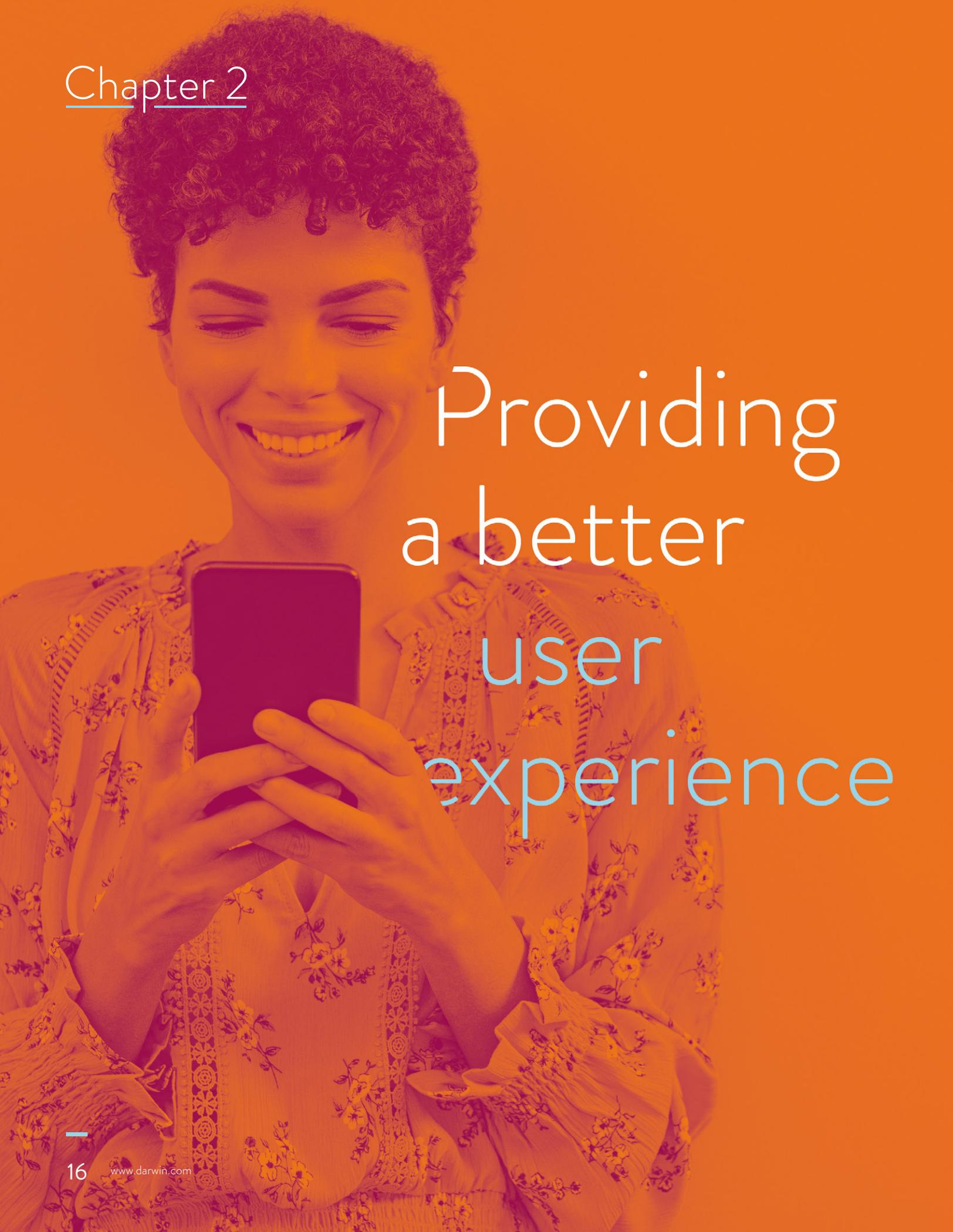
Fig 1.7 / How organizations perform against employee engagement score targets - employers that have a fully centralized HR operations including benefits vs all respondents



This may be due to centralization leading to fewer errors – and therefore less frustration among employees. And it could also be linked to the more consistent employee experience that employers can provide by centralizing their HR operations.

So, employers' focus on achieving a consistent global benefits experience is well-placed. Globalization and the rise of employee

mobility was already putting pressure on employers to address inconsistencies in benefits packages and systems between regions. Now, with remote working set to expand in the wake of COVID-19, achieving consistency for all – across everyone's very different physical environments – is set to become even more important for recruiting, retaining and engaging talent across the globe.



Providing a better user experience

Delivering the same experience to employees globally will not get you very far if the experience they get with their technology isn't engaging.

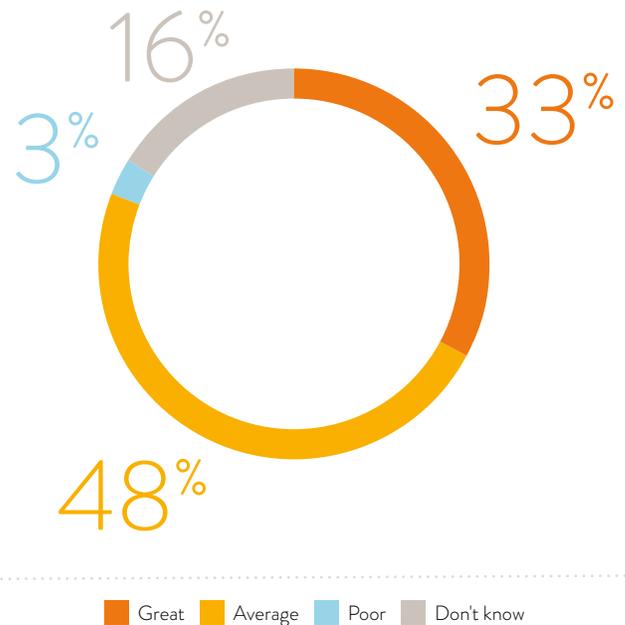
That's why, along with providing global consistency, organizations should also be striving to actively improve the user experience for their employees. Unfortunately, however, few employers seem to recognize the need for big improvements here. There is a large disconnect between the benefits experience employers think they are providing and the benefits experience that employees actually get.

Employees' tech experience leaves room for improvement

Just a third (33%) of the employees we surveyed rate their experience with employer-provided software as 'great', with the majority (48%) rating it 'average' at best. Moreover, less than two-fifths (39%) feel they get a 'consumer-grade' experience from their organization's HR software, akin to the experience they would get from using other mainstream apps on their PC, tablet and smartphone. People have come to expect a certain level of design and functionality in their interactions with technology and it is very clear – and very disengaging – when these standards are not met. So why is this happening?

39% feel they get a 'consumer-grade' experience from their organization's HR software.

Fig 2.1 / Employees' user experience with employer-provided software



Perception-reality disconnect: Employers in the dark about their employees' experiences

Despite employees' overall lack of connection with their benefits and HR software, employers seem blissfully unaware of what their people really think. They vastly overestimate their employees' user experience, with half (50%) thinking they provide their employees with a 'great' HR technology experience – and fewer than one in ten (9%) thinking it needs any improvement.

This disconnect is frustrating and it is partly due to this that employees continue to struggle with disengaging technology. It's relatively simple to ask employees about their experience with benefits and workplace technology and, through this consultation, take steps to improve it. At the moment the experience is in part poor because the landscape is disjointed. Employers need to understand their workforce and tech setup better if they are to make the right decisions to improve employee engagement.

50% of employers think they provide a 'great' HR technology experience compared to just 33% of employees.

Fig 2.2 / When it comes to HR technology, please rate the user experience you think you provide your employees with

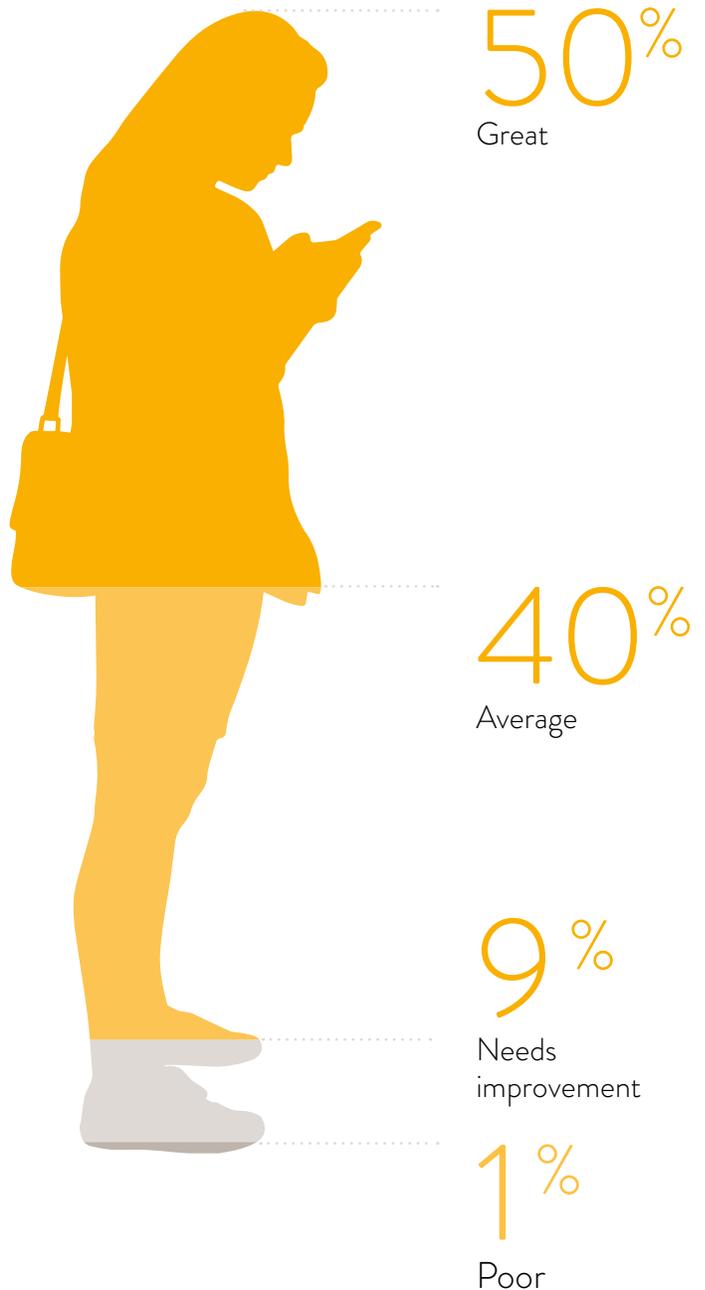


Fig 2.3 / Percentage of employees who ‘strongly agree’ the benefits their employer provides make them feel valued



64%
report **having** a consumer-grade experience from their HR software

A better user experience means better levels of engagement

Providing a ‘consumer-grade’ user experience is associated with better outcomes and greater engagement with benefits – in essence, employees tend to value their reward packages more highly if they can access them through easy-to-use tools. This makes sense of course – employees are far more likely to explore all the options available to them and take advantage of what’s on offer if they can navigate everything easily through one portal. In contrast, employees who are faced with several different pieces of tech, or – worse – a mixture of paper and online processes, may never fully realize – or appreciate – the breadth and value of benefits on offer to them – even if the package is highly desirable.

Almost two-thirds (64%) of employees who strongly believe the benefits they receive from their employers make them feel valued also feel they get a ‘consumer-grade’ experience from their HR software – compared to just one in six (16% employees who feel they do not get a ‘consumer-grade’ experience.

Providing a ‘consumer-grade’ user experience is associated with better outcomes and greater engagement with benefits.

Many employers offer a single benefits platform: but there is room for improvement

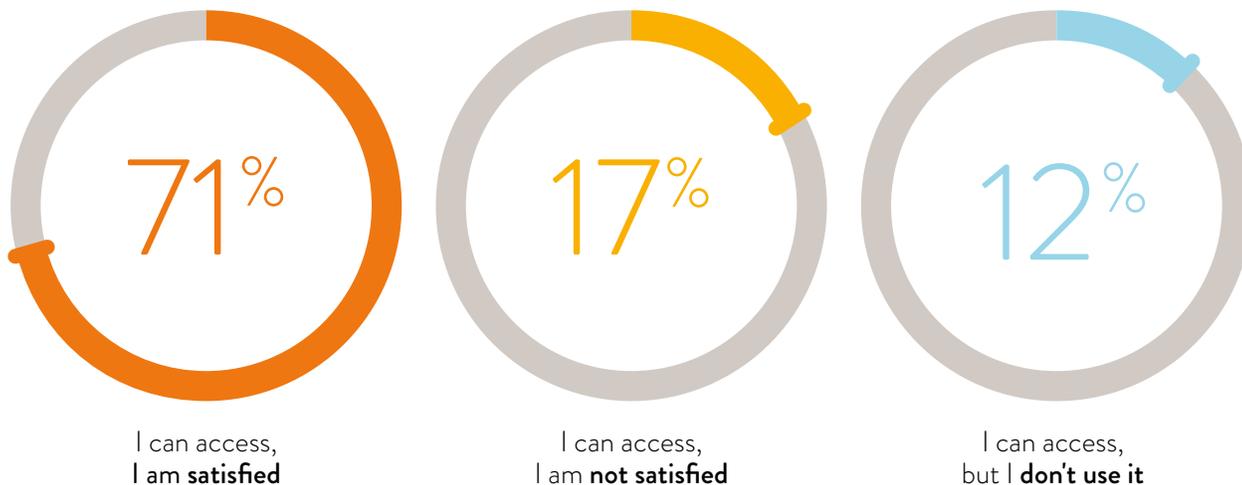
In recent years, employers have been moving towards a 'one-stop shop' or best-of-breed solution for employees to access information on their reward package and select their benefits. In fact, around three quarters (77%) of organizations allow employees to select benefits in one shape or form through a single software platform. This approach to technology can help ensure consistency – however, if the employee experience is below par, or if the back-end processes aren't automated, employees will get a substandard benefits experience.

And employers may still have to undertake a level of manual admin in the back-end to deliver those benefits. And our research shows that while many employers seem to be doing

77% of organizations' allow employees to select their benefits in one shape or form through a single software platform.

a good job, employee satisfaction with these platforms could certainly be higher. Almost one in five (17%) employees with access to these 'best-of-breed' solutions are not satisfied with them and more than one in ten (12%) choose not to even use them.

Fig 2.4 / Satisfaction of employees' that can access benefits via a single software platform



Employees want remote access to benefits

So, what could employers do to improve the user experience? Employees are very clear in what they want from their HR and benefits software – mobile access. They want to be able to log-on to review their reward package whenever they want from wherever they happen to be – they don't want to be restricted to only accessing their benefits from their desktop PC during work hours. Of course, many benefits only really work when employees have 24/7 access – employee assistance programs and mental wellbeing apps, for example, should be available at all times. But with flexible and remote working expected to remain a fixture of working life even after the current crisis is over, fewer and fewer employees will be working traditional hours in an office – so demand for remote access to all benefits is only going to keep growing.

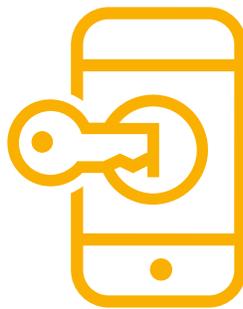
Applications to support health and wellbeing are a natural extension of benefit platforms. The workforce is ready for these but ensuring they are easy to access is critical to their ability to make a difference. In fact, Mercer's Health on Demand research found that 40% of workers say they are much less likely to move elsewhere if their employer promotes or sponsors digital health solutions in the workplace¹⁰.

40% of workers say they are much less likely to move elsewhere if their employer sponsors digital health solutions in the workplace.⁹

Fig 2.5 / What technologies would you like to see from your employer?



1 Mobile apps for **workplace software**



2 Mobile access to **HR systems**



3 **Knowledge center** for HR

10 . Mercer March Benefits Health on Demand 2020 research - <https://www.mercer.com/our-thinking/mercer-marsh-benefits-health-on-demand.html>

Improving the efficiency and security

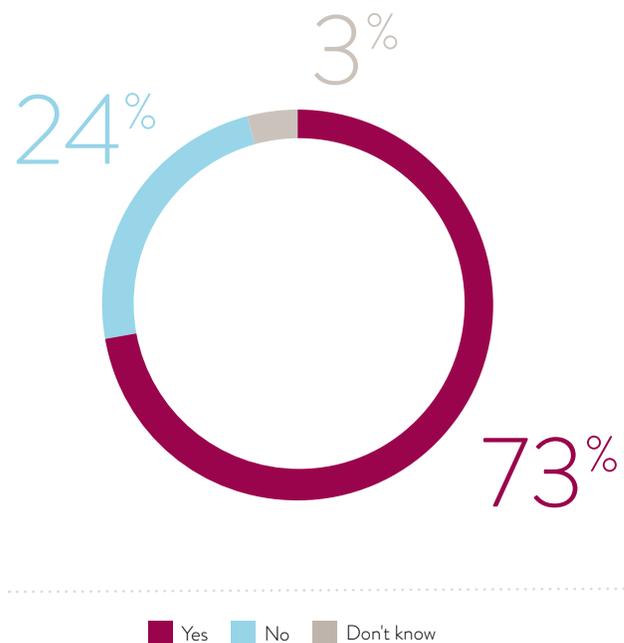
of data management

Centralizing HR operations and benefits should not only help provide a more consistent experience for employees – but also more efficient administration and greater data security for employers.

Fully joined-up, centralized back-end systems can offer a range of benefits, including real-time data exchange, time saved on manual handling of data, the ability to combine and analyze data from multiple sources, reduced risk from human error and greater automation through real-time connections with third parties. There are real cost savings to be made from this approach too, which is a massive factor for the economic buyer.

We have already seen that relatively few employers have yet to fully centralize their HR operations. However, most of them are confident they have good data transfer systems in place – almost three quarters (73%) say they can easily transfer data between their benefits providers and their HR systems, for example. However, the concept of ‘data transfer’ incorporates a wide range of possibilities – from simply emailing a spreadsheet to a colleague, to complex systems designed to automatically filter, encrypt and transmit certain lines of data according to predefined criteria. It may be that many employers find ‘data transfer’ easy because they are doing nothing more sophisticated than moving flat files between colleagues within single departments.

Fig 3.1 / Can you easily transfer data to/from your benefit providers to/from your HR systems?



53% of employers believe their current HR technology processes and procedures expose them to undue risk.

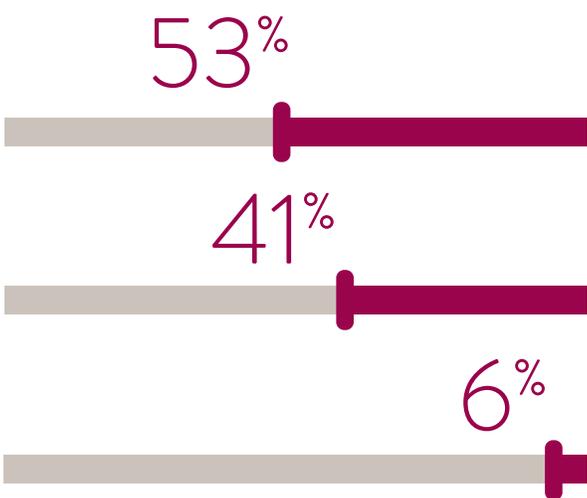
Employers are concerned about exposure to undue risk

Could it also be that this sense of ‘ease’ betrays a lack of security? More than half (53%) of employers believe their current HR technology processes and procedures expose them to undue risk, while a similar percentage (52%) have concerns around their data interactions with their providers. Data must be handled securely – and this often means encrypting information and carrying out regular audits. Data breaches can cause devastating financial and reputational loss. The average total cost of a data breach is USD 3.92 million, with 11% of costs continuing after 2 years¹¹. ‘Undue’ risk is ‘avoidable’ risk – but are employers skipping these important steps for the sake of convenience? Or because their systems are not set up to allow these important steps to be taken without adding too much complexity?

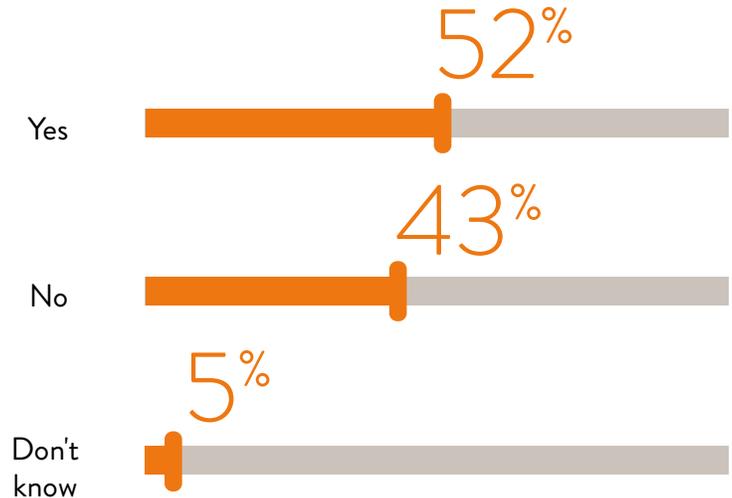
Benefits administration: employers relying on generalist HR software

Most employers continue to manage their employee benefits using general HR software rather than any kind of specialist system. Almost three-quarters (71%) of employers use general HR software to access data on their employee benefits. Less than half (48%) use some kind of ‘best of breed’ benefits software. While this currently makes sense from a connectivity standpoint – if employee data is already held in a general HR system, it can be used to administer benefits – it often limits what employers can do with their data and makes it nigh on impossible to meet local requirements or deliver a consistent global experience. And we know that MNC’s (multinational companies) want global consistency, but benefits are by their nature local and vary massively in each market that an MNC works in. So how do they manage all of these complex local markets whilst moving to a consistent global approach to compliance, operational efficiency and ultimately data?

Fig 3.2 / Do you think current procedures and processes with **HR technology** expose you to undue risk?



Do you think current procedures and processes with **providers** expose you to undue risk?



11. IBM Security (2019) Cost of a Data Breach Report 2019. Available at: <https://www.ibm.com/downloads/cas/ZBZLY7KL>

Simply put, generalist HR software does not have the same level of functionality as specialist software. Around a quarter (24%) of employers continue to gather some of their benefits data manually. In today’s environment, manual systems are becoming less and less sustainable – not only do they impede agility, but they are also highly prone to error and require separate security processes.

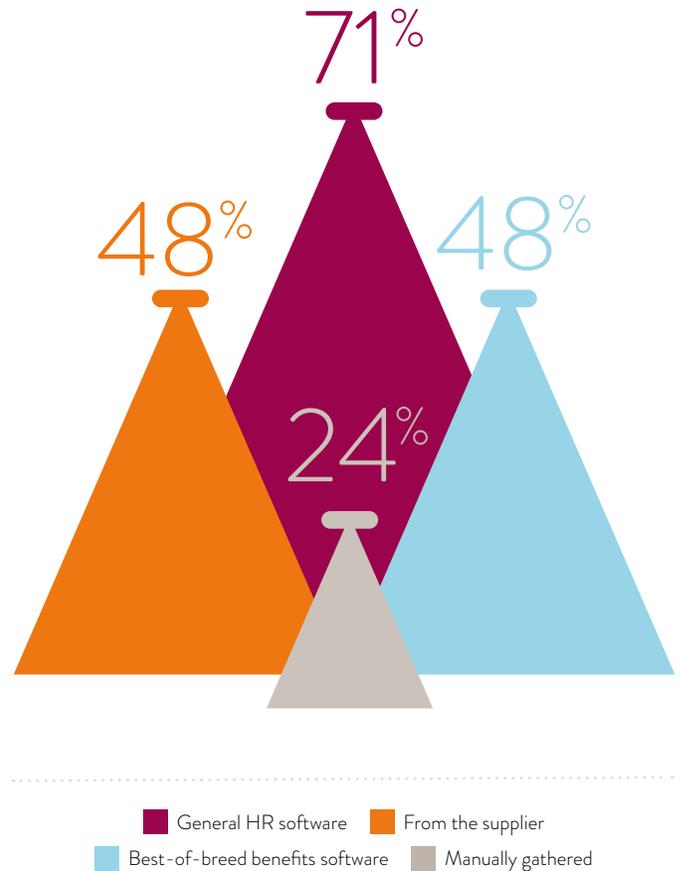
Benefits analytics: employers relying on basic spreadsheet software

In addition to accessing benefits data using generalist HR software, employers are also relying on basic spreadsheet software to collect and analyze this data, with more than three quarters (78%) using Microsoft Excel.

While spreadsheets can offer some of the same functionality as more specialist analytics software – especially for ‘power users’ – they were not specifically designed for managing and effectively analyzing benefits data at scale. This is particularly true for multinational employers where the number of spreadsheets in use is often out of control – it is not unusual to see numerous connected and interrelated spreadsheets distributed across various machines and servers, which can bring huge problems when several users try to access or amend data simultaneously. Spreadsheet software such as Excel is vulnerable to fraud, as it is relatively easy to alter formulas and values without detection.

78% of employers are still using basic Excel to collect and analyze employee data.

Fig 3.4 / How employers access their benefits data



It is also highly susceptible to human error – it is all too easy for users to accidentally change cell values without even realizing, and there are usually no built-in checks for these kinds of mistakes. This also exacerbates HR and reward teams' ability to provide compliance, audit their data and maintain governance. Once an error has been introduced into a spreadsheet – especially if it connects to several others – it can be extremely difficult to isolate and fix.

Spreadsheets are also generally unsuited to the kind of agile and adaptable ways of working that employers need to adopt right now. It can be extremely time consuming to extract information and check its validity – which slows down the decision-making process. Excel also lacks visualization tools to help users easily extrapolate key insights and relevant data, and to make quick comparisons across datasets. Being able to do this at a glance is key from both an experience and analytical perspective.

More than half of employers spend 11 hours or more each month manually transferring data between systems.

Employees are wasting days manually transferring data every month

The general lack of specialist data management systems and analytics software means that many employers spend a lot of time managing their benefits data by hand. More than half (55%) of employers spend 11 hours or more each month manually transferring data between systems, for example – with one in five (20%) spending more than 15 hours a month on simply getting their data where it needs to be. This means they are spending time just pulling data together, rather than spending that time evaluating what the analytics are telling them and taking action that could make a difference to employees and their organizations.

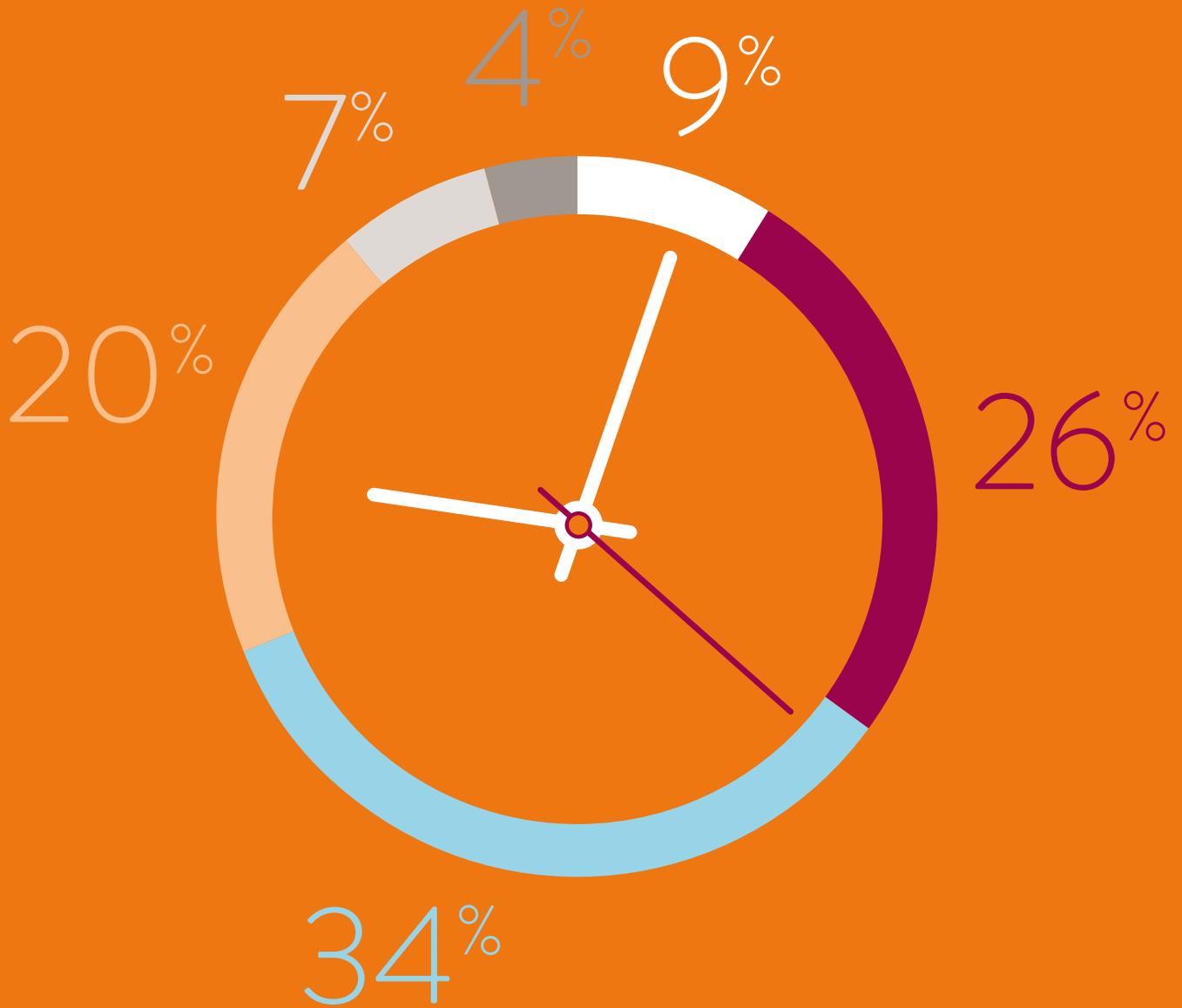
Employers recognize the risk of manual data handling

Employers know that spending hours manually transferring data between their various benefits systems is a poor use of their time, money and resources. They also recognize that it introduces further elements of risk in terms of data errors and security breaches.

Such incidents can be extremely costly – a 2019 report by IBM Security found the average cost of a single data breach was a staggering \$3.92 million, and that nearly half of these breaches are due to human error or system glitches.¹¹

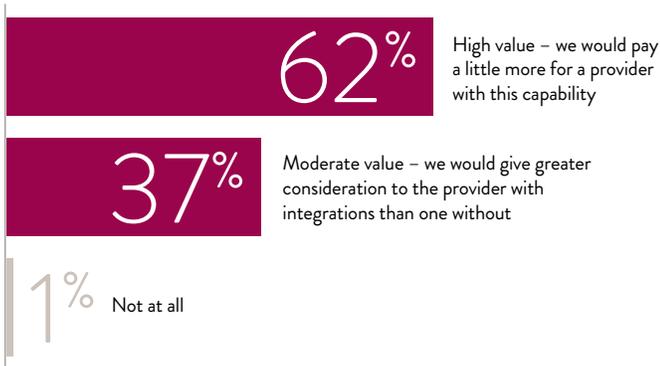
11. IBM Security (2019) Cost of a Data Breach Report 2019. Available at: <https://www.ibm.com/downloads/cas/ZBZLY7KL>

Fig 3.5 / How many hours does your team spend on average per month manually transferring data between systems?



1-5 hours 6-10 hours 11-15 hours 15+ hours
No manual transfer of data Don't know

Fig 3.6 / Would you value a benefit provider that had seamless and real-time integrations with a benefits administration system?



It is therefore not surprising that almost two-thirds (62%) of employers would be willing to pay extra for seamless and real-time integration between their benefits provider and their own benefits administration system, which would greatly cut down on the scope for such human errors to occur.

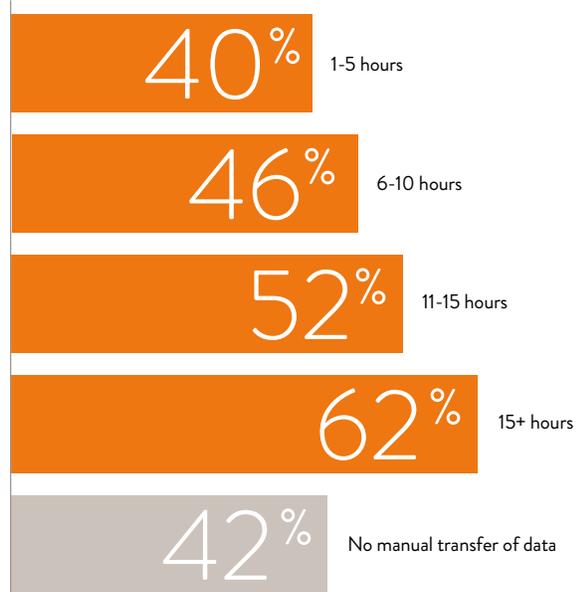
They can also help organizations pinpoint and react to market and people trends, helping them keep their benefit offering relevant, together with the ability to monitor benefit schemes at global and local country levels and share best practice across countries. They will be able to understand why things are happening with their scheme, so that they can fix problems sooner and more easily manage cost and risk – key in the current climate. Going one step further, HR and reward teams can see where benefits and providers can be standardized, reducing the complexity of their benefit offering.

The rise of cloud computing and SaaS (software as a service) has also made it simpler for employers to access the latest software without having to install it on their own servers. This kind of technology enables employers to pivot at pace by building more nimble, adaptive and agile systems – and update or replace them with newer or more relevant options with relatively little disruption.

Throwing money at software is not the solution

Spending more on technology will not magically solve admin, security and agility problems. Our research shows that the more employers spend on multiple tech solutions, the more time they spend manually transferring data between these different systems. So, it is not enough to simply spend more – organizations need to spend wisely. There is no point in purchasing lots of new systems if they don't 'talk' to each other. Instead, employers would be better off investing in specialist solutions, either to replace more generalist software or to integrate seamlessly with existing platforms.

Fig 3.7 / What percentage of your overall HR budget is going towards technology this year? vs How many hours does your team spend on average per month manually transferring data between systems?



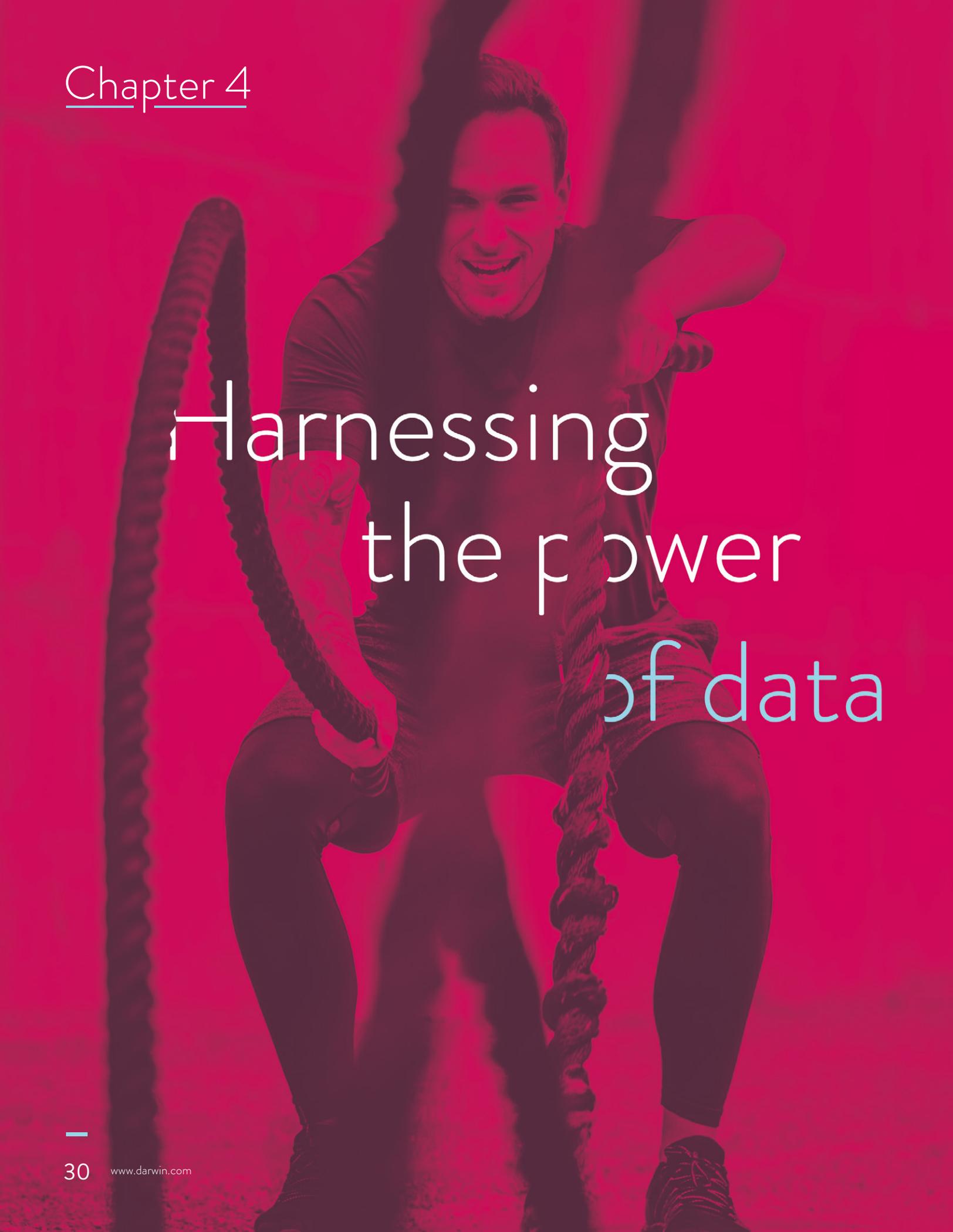


Stephen Migliaccio
Director, Global Provider Automation,
Darwin

“ By 2025, 30% (\$60T) of global revenues will be generated through ecosystems.* Ecosystems allow for consolidated transactions and seamless interactions across diverse platforms that give participants easy access to a multitude of services, solutions and products. Industries across nearly every vertical have leveraged the power of technology to transform their sector and deliver real benefits to everyone in the value chain.

But in the B2B benefits management market, we have a lot of catching up to do. The results are in and there's a clear theme in the findings for providers: employer and employee needs and expectations are not being met. Overall, because of dated analog processes, a staggeringly high number of employers lack the consumer-grade experience they want for themselves or their employees. They are also exposed to undue risk and spend a disproportionate amount of time manually handling data. When asked if employers would value deeper integration between benefits technology companies and their vendors, 99% responded to say that they would, and 62% go further to say they would pay more for it! The time has come for benefit and tech providers to act!

*McKinsey & Company Insurance beyond digital: The rise of ecosystems and platforms, Jan 10, 2018. Available at: <https://www.mckinsey.com/industries/financial-services/our-insights/insurance-beyond-digital-the-rise-of-ecosystems-and-platforms>

A man in athletic wear is performing a battle rope exercise, pulling the ropes up towards his chest. The image is overlaid with a semi-transparent red filter. The text "Harnessing the power of data" is written in white, centered over the man's torso.

Harnessing the power of data

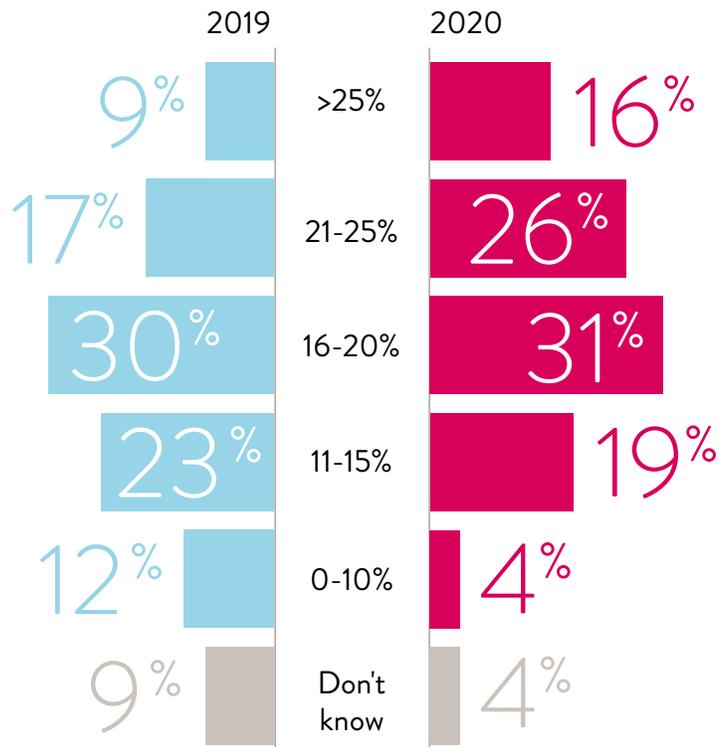
Employers spend huge sums of money on their employee benefit packages. Yet it’s an area that receives relatively little scrutiny – organizations are certainly not making the most of the data they have at their disposal to ensure they are getting the best possible returns on their substantial investments in this area.

We saw in the last chapter that a lot of employers are relying on generalist HR software, together with basic spreadsheets, to manage and analyze their benefits data. Investing in specialist, ‘best of breed’, software could allow them to harness the full power of their data and generate actionable insights to generate more value from their reward packages.

Looked at as a percentage of basic salary, almost three quarters (73%) of employers spend over 16% of their wage bill on employee benefits each year. Spending in this area has also increased considerably since 2019, with the percentage of employers spending 25% of their overall wage bill on benefits doubling – from fewer than one in ten (9%) 12 months ago, to almost one in five (16%) this year. If any other area of the business was making this level of investment, it would have robust analytics associated with it. So why should benefits be any different?

73% of employers spend over 16% of their wage bill on employee benefits each year.

Fig 4.1 / How much do you spend a year on benefits per employee as a **percentage of base salary 2019 vs 2020?**

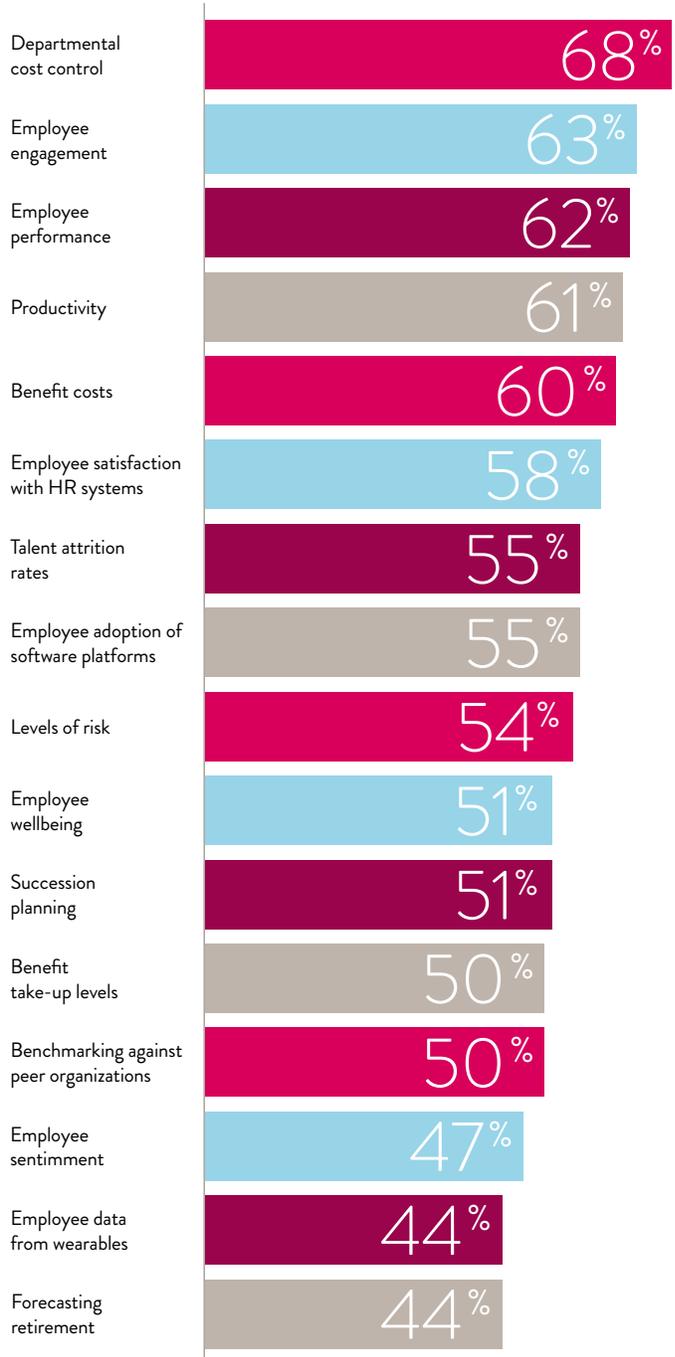


Meaningful benefits analysis is not happening

Despite employers' high spend on employee benefits, it remains an area that receives very little analysis. Just three-fifths (60%) of employers use data to look at benefit costs – and just half (50%) report on benefit take-up levels, putting it 12th out of the 16 areas we surveyed. This lack of scrutiny is mystifying – not only given the high cost of reward packages, but also how easy it should be to keep track of something as relatively simple as take-up levels. One explanation is that the data employers require is not easily accessible – perhaps because it is held outside of the HR and reward department, in finance for example. HR professionals may also not have the time to devote to analysis, or they don't know where to start. Or it could be that data is stored on multiple systems, so forming an aggregated and accurate view of different metrics across the entire workforce is impossible. Either way, HR teams need to take ownership of benefits data and ensure they are able to derive meaningful and actionable insights in the short-term and to respond to future changes.

Just half of respondents report on benefit take-up levels, putting it 12th out of the 16 areas we surveyed.

Fig 4.2 / Respondents currently using employee data to report on various areas of the business

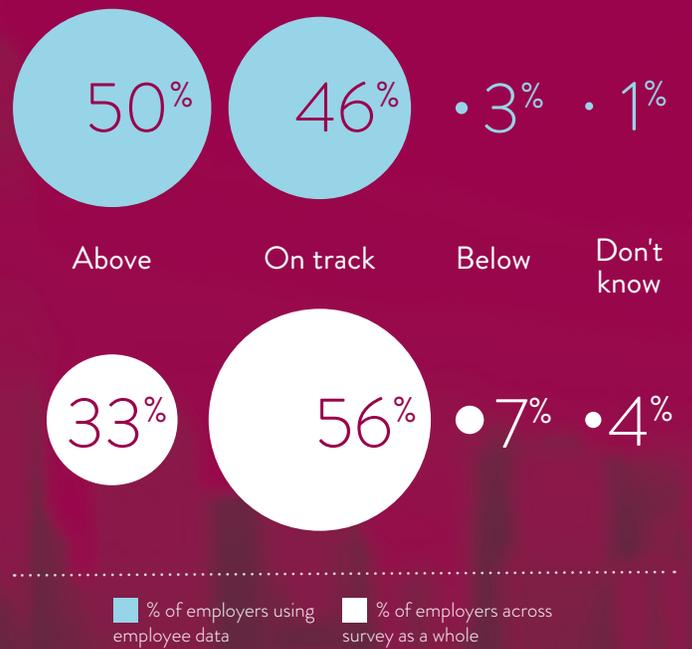


50% of employers that currently use employee data to report on benefit take-up levels are performing above their annual employee engagement score target.

Data analysis leads to insight.
Insight leads to improvement

Employers that collect and analyze data on their benefits achieve better outcomes. Almost half (50%) the employers that currently use employee data to report on benefit take-up levels, for example, are performing above their annual employee engagement score target – compared to just a third (33%) of organizations across the survey as a whole.

Fig 4.3 / Performance against annual employee engagement score target vs respondents that are currently using employee data to report on benefit take up levels

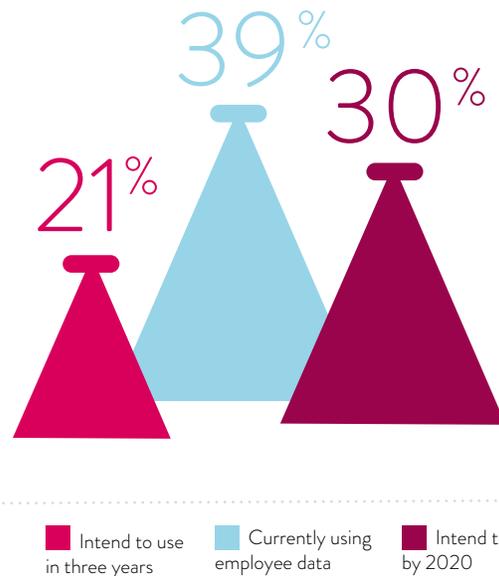


You can't change what you don't measure

We see a similar trend when looking at employers that use employee data to report on employee engagement. Almost two fifths (39%) of employers that currently use employee data to report on employee engagement are performing above their annual employee engagement score target – twice as many as those that do not intend to use data to look at engagement scores for at least three years (21%). The reason behind this comes down to the old adage 'you can't change what you don't measure'. Whether employers are analyzing employee benefits or employee engagement, their first step should always be to measure where they currently stand – that way, they have a benchmark against which to assess their progress.

Almost two-fifths (40%) of employers say they have too many data sources which makes analysis difficult.

Fig 4.4 / Respondents that are performing above their annual employee engagement score target vs respondents that are currently using/intend to use employee data to report on employee engagement



Obstacles to improvement: what is stopping employers analyzing their benefits data?

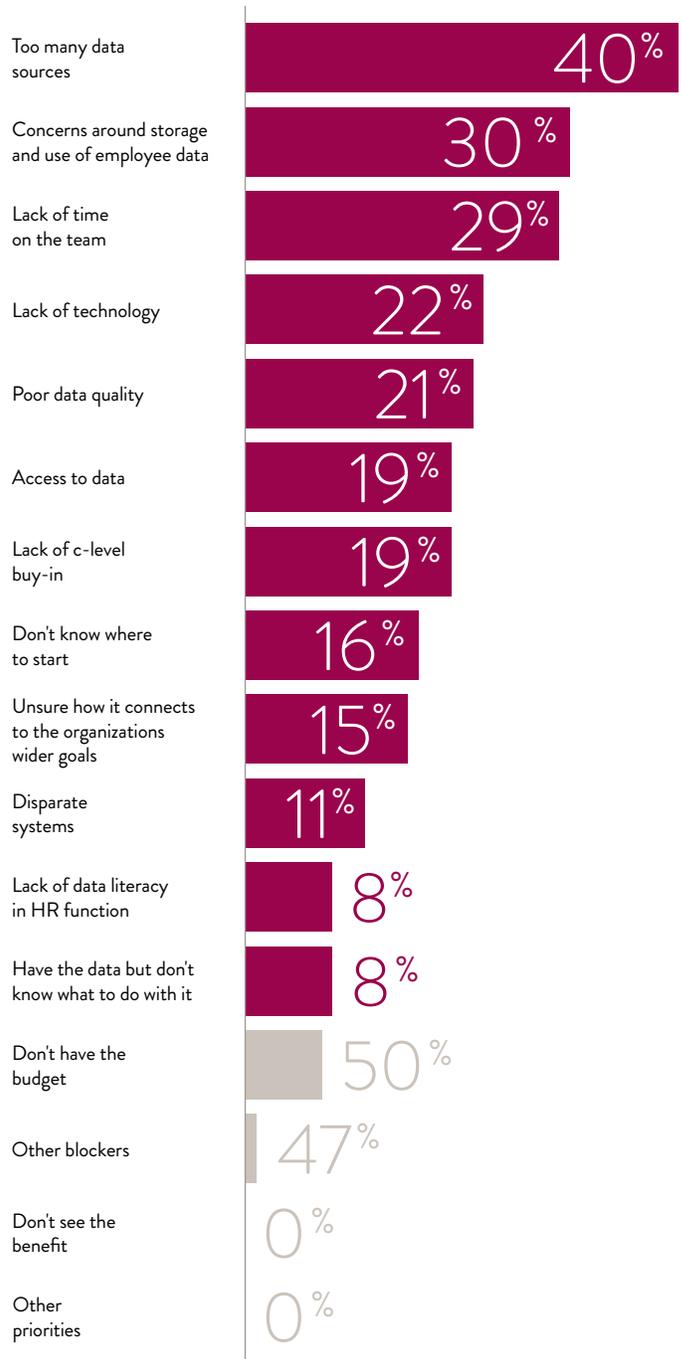
If collecting and analyzing benefits data is associated with higher levels of employee engagement, why are more employers not doing it? Well, the biggest problem is actually having too much data – or at least, data spread out across too many systems. Almost two-fifths (40%) of employers say they have too many data sources and that this makes analysis difficult. Almost a third (30%) also have concerns around the storage and use of employee data that prevents them from carrying out analyses, while a similar percentage (29%) simply do not have enough time on their reward or HR teams to dedicate to data analysis work. The percentage of employers citing each of these as blockers to making more use of employee data have doubled since last year.

But even if they do not always have the time to do it, it is nonetheless pleasing to see the continued rise of data analysis skills within reward and HR. Last year, we found that four-fifths (82%) of organizations had added some form of people analytics capabilities to their HR function and it is heartening to now see fewer than one in ten (8%) employers citing ‘a lack of data literacy in the HR function’ as an obstacle to data analysis – compared to almost a third (31%) last year. Organizations have made great strides in this area over the past few years and it is no longer a problem for most companies.

As we have touched on in earlier chapters, centralizing HR and benefits systems using dedicated software is perhaps the most effective way of bringing data into one place and simplifying the analysis process. Having one system in place can also help shore up data security, while also greatly reducing – if not removing altogether – the time needed to transfer data between different places.

It is heartening to see fewer than one in ten employers citing ‘a lack of data literacy in the HR function’ as an obstacle to data analysis.

Fig 4.5 / What are the biggest blockers for not using employee data to report on anything?



Getting better data: the benefits of HR centralization

Unsurprisingly, organizations that have fully centralized their HR operations, including their global benefits data, are also more confident in the quality of the data they have. This makes sense of course – having all benefits data in one place removes the need for data transfer, and its inherent risks, and also makes it much easier to access. But most importantly, all countries will report on the same metrics if this process is managed centrally, rather than each country reporting on different measures. This means that not only do employers have a more accurate overview of their entire universe, but they can also share best practice across locations and change up their strategy based on how well each country or region is performing.

Among employers that have fully centralized their HR operations, more than a third (36%) believe they receive quality data – while just a fifth (21%) of this group are not confident they receive good quality data.

Fig 4.6 / Are you confident you receive quality data? (respondents who have fully centralized HR operations)



If the process is managed centrally, all countries will report on the same metrics, rather than each country reporting on different measures.



James Knight
SVP Data & Analytics,
Darwin

“ Analytics should be a key part of every benefits program - especially given that spend on benefits equates to 20% of employee salary on average. If this level of spend was taking place anywhere else in the business, analytics would be mandatory.

COVID-19 has resulted in a faster rate of change within the workforce, which makes it even more important to have the right analytics in place to be able to identify changes and act quickly. With 8 out of 10 HR teams using basic spreadsheets to collect and analyze employee data manually, unnecessary time spent producing analysis manually is just one of the many issues faced. Data governance, limitations in functionality and up-to-date accurate data are also major problems many HR teams are currently facing.

Given the low number of teams currently reporting on benefits and those that are using basic spreadsheets to do so - HR teams have an incredible opportunity around data and analytics - especially considering the increased role of benefits in attracting and retaining staff and maintaining employee wellbeing. Although analytics and HR are not a traditional match, HR teams are competing internally with other departments that do have analytics, so the time to embrace systems that are easy to use and pull together information in a meaningful way has never been more pressing.

Chapter 5

A digital-first approach

Throughout this report, we have seen the value employers can derive from investing in HR and benefits technology – from improved levels of data security and employee engagement, to less time spent transferring data and fixing errors.

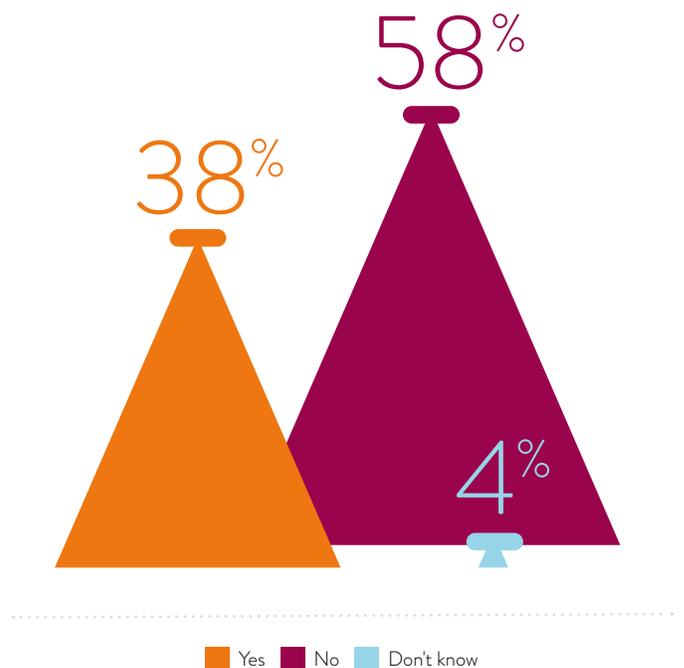
The positive impact of technology on employee benefits is generally undisputed – indeed, according to figures from Sierra-Cedar, the market for HR technology grew by 10% from 2017 to 2018,¹² while a June 2020 report by MarketsandMarkets values the current global Human Capital Management market at \$17.6bn and forecasts it to grow to \$24.3 billion by 2025.¹³

Looked at as a percentage of basic salary, almost three quarters (73%) of employers spend over 16% of their wage bill on employee benefits each year. Spending in this area has also increased considerably since 2019, with the percentage of employers spending 25% of their overall wage bill on benefits doubling – from fewer than one in ten (9%) 12 months ago, to almost one in five (16%) this year. If any other area of the business was making this level of investment, it would have robust analytics associated with it. So why should benefits be any different?

A lack of senior management support

Last year, our research found the biggest barrier to HR investment was that tools on the market were not fit for purpose. This year, however, the biggest obstacle is a lack of board-level buy-in – senior management are not prepared to sign off on purchases of new HR technology, an issue which could become even more stark in the face of the current crisis and the tightening of corporate budgets.

Fig 5.1 / Do you have any barriers to HR technology investment?



12 . Sierra-Cedar, 2018-19 HR Systems Survey. Available at: https://www.sierra-cedar.com/wp-content/uploads/Sierra-Cedar_2018-2019_HRSystemsSurvey_WhitePaper.pdf

13 . MarketsandMarkets (2020) Human Capital Management Market – Global Forecast to 2025. Available at: <https://www.marketsandmarkets.com/pdfdownloadNew.asp?id=193746782>

There could be a link here of course – we could be seeing a legacy of organizations investing in tools that were ‘not fit for purpose’ that has stayed in the minds of senior management and made them wary of further purchases. Directors can have long memories when it comes to bad investments. It could also be due to the lack of analytics being carried out by many reward and benefits teams – simply put, they have not done a good enough job of demonstrating the return on investment that can be achieved through properly researched and implemented technology solutions. It is something of a ‘chicken and egg’ situation – if you cannot show board members the value created by quality HR technology, they will not want to invest in it. But if they don’t invest in quality HR technology, you cannot demonstrate its value. The reward function needs to find a way to break this cycle.

Fig 5.2 / What do you consider are the most significant barriers to HR technology investment?

	2019	2020
1	Tools not fit for purpose	Lack of board-level buy-in
2	Lack of board-level buy-in	Tools not fit for purpose
3	Business environment (e.g. all the internal and external factors that affect how the company functions)	Business environment (e.g. all the internal and external factors that affect how the company functions)
4	Other business priorities (e.g. acquisitions, divestitures)	Other business priorities (e.g. acquisitions, divestitures)
5	Concerns around the storage and use of employee data	Concerns around the storage and use of employee data

Employers want better online management of forms from providers

Last year, our research found the biggest barrier to HR investment was that tools on the market were not fit for purpose. This year, however, the biggest obstacle is a lack of board-level buy-in – senior management are not prepared to sign off on purchases of new HR technology, an issue which could become even more stark in the face of the current crisis and the tightening of corporate budgets.

When it comes to interaction with benefit providers, employers’ number one priority is to secure improved online management of forms – such as expression of interest forms. Online forms typically form the interface between employees and the benefits system, so it is no surprise to see this item topping the list. It is an issue that has links to several key priorities, including providing a more consistent experience for employees, providing a consumer-grade user experience and improving data security.

Employers’ second priority links even more explicitly to improving the user interface – they want providers to help them improve the digital experience for employees, such as providing a seamless journey between systems. And third, employers want to see improved provider connectivity, such as real-time data exchange – again, to help them deliver improved data security and access to enhanced analytics.

Fig 5.3 / When considering the capabilities of your benefits providers and their ability to connect with your benefits administration system, what would you prioritize for improvement?



Embrace the new normal



Following the COVID-19 pandemic, employers will not be able to simply go back to ‘business as usual’ when it comes to managing the workforce. Instead, they will need to embrace a ‘new normal’, with an increased need to foster employee engagement in a post-office world.

Employer branding will become even more important, as employees place more value on the ethics and cultures of the employers they work for – and so employers will need to carefully consider the role that benefits play in reinforcing their values and meeting their employees’ needs.

This is likely to involve placing a greater focus on employee welfare and implementing systems and processes that enable remote working en masse – including seamless access to reward and benefits systems from anywhere. Benefits packages will also need to be tailored to this new reality, with a greater emphasis on promoting wellbeing.

Essentially, employers should take this opportunity to re-evaluate their entire employee value proposition and how they position reward within their organizations – both to retain the loyalty of existing staff and to help re-hire talent lost due to the crisis.

And this may mean rethinking their approach to reward. For example, Mercer’s Global Talent Trends 2020 report found that one in every two employees wants to work for an organization that offers ‘responsible rewards’ – yet just a quarter (26%) of organizations subsidize benefits programs for their most vulnerable populations.

And employers will need to address the COVID-19 crisis head on too. A March 2020 whitepaper by the World Economic Forum,¹⁴ discusses employers creating a new ‘crisis leave’ option for staff, as well as expanding support for parents and caregivers to help organizations rebound after the crisis. It also suggests employers should take a segmented view of the workforce and ‘move beyond one-size-fits-all compensation and benefits solutions’ to support roles they have identified as being ‘truly critical to the business’. The more varied health and well-being resources an employer offers, the more workers feel energized and supported, and the less likely they are to leave their employer. 75% of employees that have over 10 health and wellbeing offerings feel that their employer cares or mostly cares a great deal about their wellbeing, which is more important now than ever.¹⁵

Employers will also need to make sure their systems are strong enough to cope in the event of another similar crisis. They need to carry out stress testing and scenario analysis to make sure they can cope if their entire workforce is once again forced to work from home.

14 . World Economic Forum (2020) Available at: http://www3.weforum.org/docs/WEF_NES_COVID_19_Pandemic_Workforce_Principles_2020.pdf

15 . Mercer March Benefits Health on Demand 2020 research. . Available at: <https://www.mercer.com/our-thinking/mercer-marsh-benefits-health-on-demand.html>

Fig 6.1 / Employees who strongly agree/agree that 'I see myself at my current organization for the long-term'



■ Employees who think their employer takes their needs and ways of working into account when selecting and implementing workplace software

■ Employees across survey as a whole

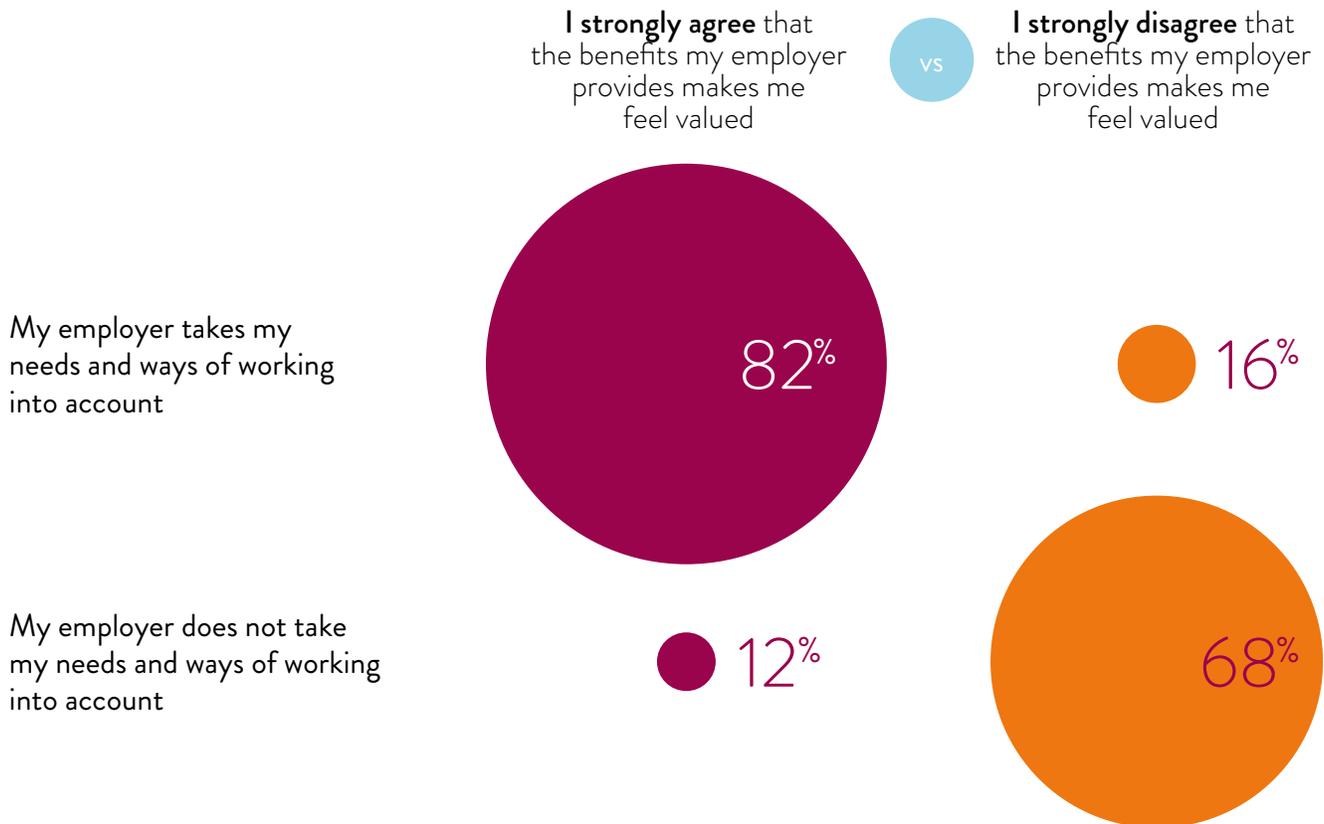
A time to listen

Part of this ‘new normal’ should involve not only listening to employees and their needs – but acting on them too by designing more relevant benefits schemes. Our research found employers that take their employees’ needs into account when selecting workplace software – including benefits platforms – stand to benefit from greater loyalty from employees. Among all employees surveyed, just over half (56%) told us they could see themselves staying at their organization for the long-term – but this jumps to two-thirds (68%) among employees who

think their employer takes their needs and ways of working into account when selecting and implementing workplace software.

Employees are also likely to look more favorably on their benefits packages when employers take their needs into account when choosing workplace software. More than four-fifths (82%) of employees who feel their employer takes their needs and ways of working into account when selecting workplace software ‘strongly agree’ that their benefits package makes them feel valued. In contrast, more than two-thirds (68%) of employees who believe their employer does not take their needs into account ‘strongly disagree’ that their benefits package makes them feel valued.

Fig 6.2 / Do you think your employer takes your needs and ways of working into account when selecting and implementing workplace software? vs Do you agree that the benefits your employer provides makes you feel valued?



Conclusion

The entire world has been thrown into disarray by the COVID-19 pandemic – and the fallout will have huge ramifications for the way that workplaces operate from now on. For example, after years of protesting that it was ‘too difficult’ to allow large sections of their workforces to work from home, employers have seen that, in reality, implementing remote working on a mass scale is perfectly possible.

In March 2020, financial data platform Sentieo detected 423 US public company transcripts that mentioned working from home. That’s more than there were in the last decade combined – and nearly all came in conjunction with mentions of coronavirus.¹⁶ Employees will now expect their employers to continue to offer flexible working as standard.

16 . Molla, R. (2020) How coronavirus has changed US employment in 6 charts. Available at: <https://www.vox.com/recode/2020/4/3/21203199/state-of-employment-charts-unemployment-rate-claims-hiring-work-from-home>

Employers will need to accelerate their digital transformation if they are to adapt. Despite prioritizing ‘a consistent benefits experience for employees’ over the past two years, many organizations are still a long way from achieving this goal. To get there, they will need to persuade senior management to put their hands in their pockets and finance further investments in reward and benefits technology.

And this will require reward teams to make better use of data – they need to illustrate the value that can be created by investing in the right benefits systems and solutions. They need to demonstrate to senior leaders that improving the user experience can bring greater levels of employee engagement and loyalty.

There is also going to be pressure on organizations to re-align their benefits offerings following the current crisis. Employee wellbeing has shot up the agenda for many employers, for example, and we can expect to see telehealth benefits such as virtual GPs, financial guidance and mental health workshops proliferate in the next 12 to 18 months. It will no longer be enough for employers to offer the ‘standard menu’ of benefits to staff that have no local or personal relevance.

Employers that want to attract and keep the best talent will need to make a concerted effort to think creatively and address the pressing needs of their workforces – whether that is by providing paid leave for workers who need to care for their dependents or by arranging financial counselling for employees with money worries. Organizations will need to show that they truly empathize with their employees’ needs in the post-COVID world and adopt a culture of listening and caring for their workforce.

Organizations will need to show that they truly empathize with their employees’ needs in the post-COVID world and adopt a culture of listening and caring for their workforce.

Technology won’t provide all of the answers. But by implementing the right infrastructure – centralizing HR operations, for example, and providing mobile access to reward and benefits – employers can take a huge step towards creating an environment where benefits work for everyone. Not only that, but they will be a leaner and more agile function – and one that has the opportunity to add more strategic value to the business – as a result. One where leaders can develop innovative reward strategies confident that they can be delivered in an efficient and personalized way. Where benefit and reward teams can focus on creating value-add strategies, rather than being bogged down in admin and data transfer. And where employees get the most globally-connected and locally-relevant benefits experience available.

About Darwin

Darwin is a SaaS provider of global employee benefits and employee engagement software. It is a wholly owned subsidiary of Mercer, a global consulting leader in advancing health, wealth and career. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC). Darwin's award-winning platform, Darwin™, is the global market leader for automated employee benefits administration.

With over 4 million lives on Darwin™, it connects employees with their benefits in over 100 countries and more than 40 languages. By using the right combination of editions, Darwin™ provides a tailored solution to meet a variety of employee benefit and reward needs, including employee engagement, managing risk, controlling costs and streamlining benefits administration. Its ability to constantly evolve and cater for shifting workforce needs has made it the provider of choice for eight of the world's top ten technology companies. Mercer and Darwin combine world-class consulting and broking with innovative technology, driving transformation in the way that benefits are designed, communicated and administered.



2020
/ 21

The age of agility: flexible, adaptable and resilient benefits

United Kingdom

T: +44 (0) 203 435 7800

E:

Singapore

T: +65 6383 1700

E:

United States

T: +1 844 567 9253

E:

W:



DARWIN