

The Future of HR and Data Analytics



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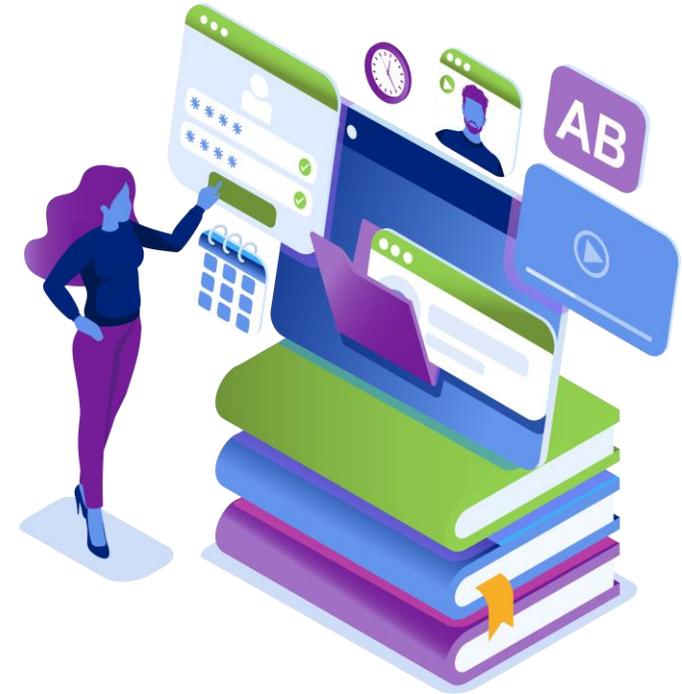
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Executive Summary



1.0

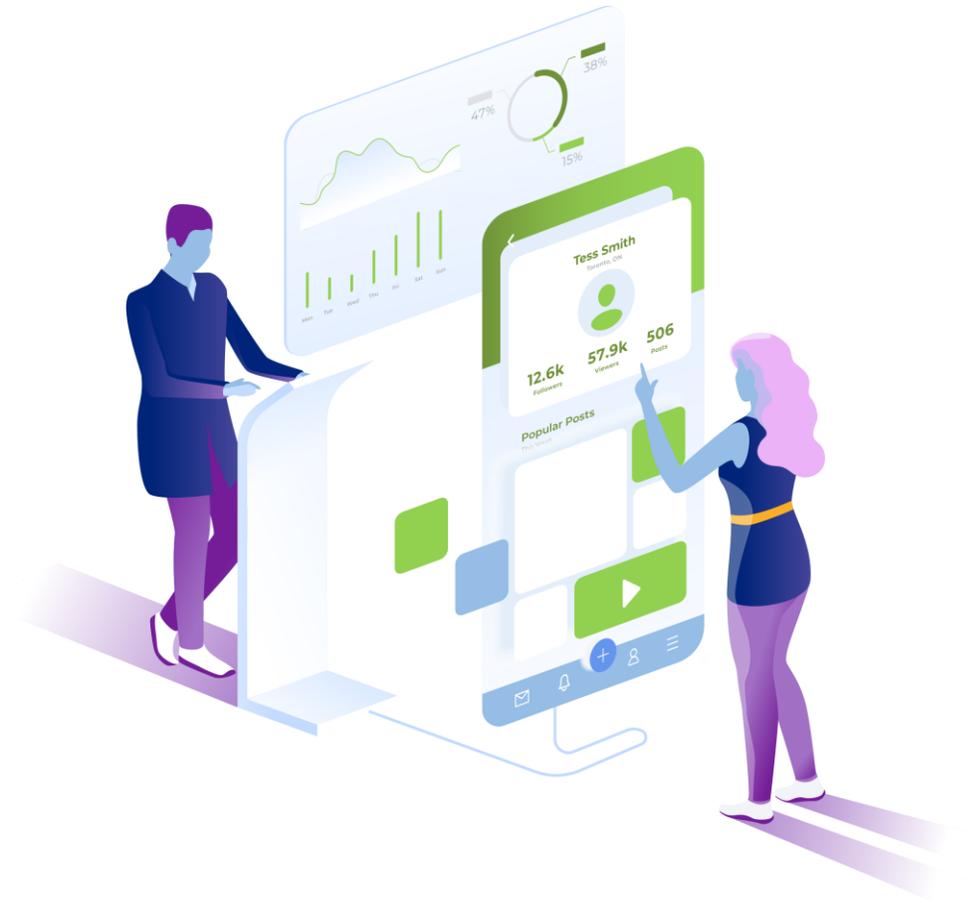


1.0 Executive Summary

Organisations on average spend £8,800 per employee per annum on non-salary compensation elements such as pension, cash bonus, cars, insurance, rewards and benefits. Yet only 45% of employers believe that their benefits strategy meets the needs of their workforces, and 79% believe that their benefits and rewards strategy needs to change.

Benefits, incentives and pensions are there to attract, engage, retain and improve performance. The prize is considerable if employers can ensure that spend on non-salary compensation is optimised to improve these metrics. Coming out of the pandemic these stakes are even higher, as companies face the engagement and performance challenges of, often home working and isolated, workforces.

This spend optimisation can only be done if the data from all of the disparate commercial, operational, financial and HR systems are **integrated** onto a single employee data platform. Here every relevant interaction between the employee and employer is recorded, creating a single employee view.



An employee data platform could **transform** the HR function to become a data driven and evidence based core strategic partner for the business.



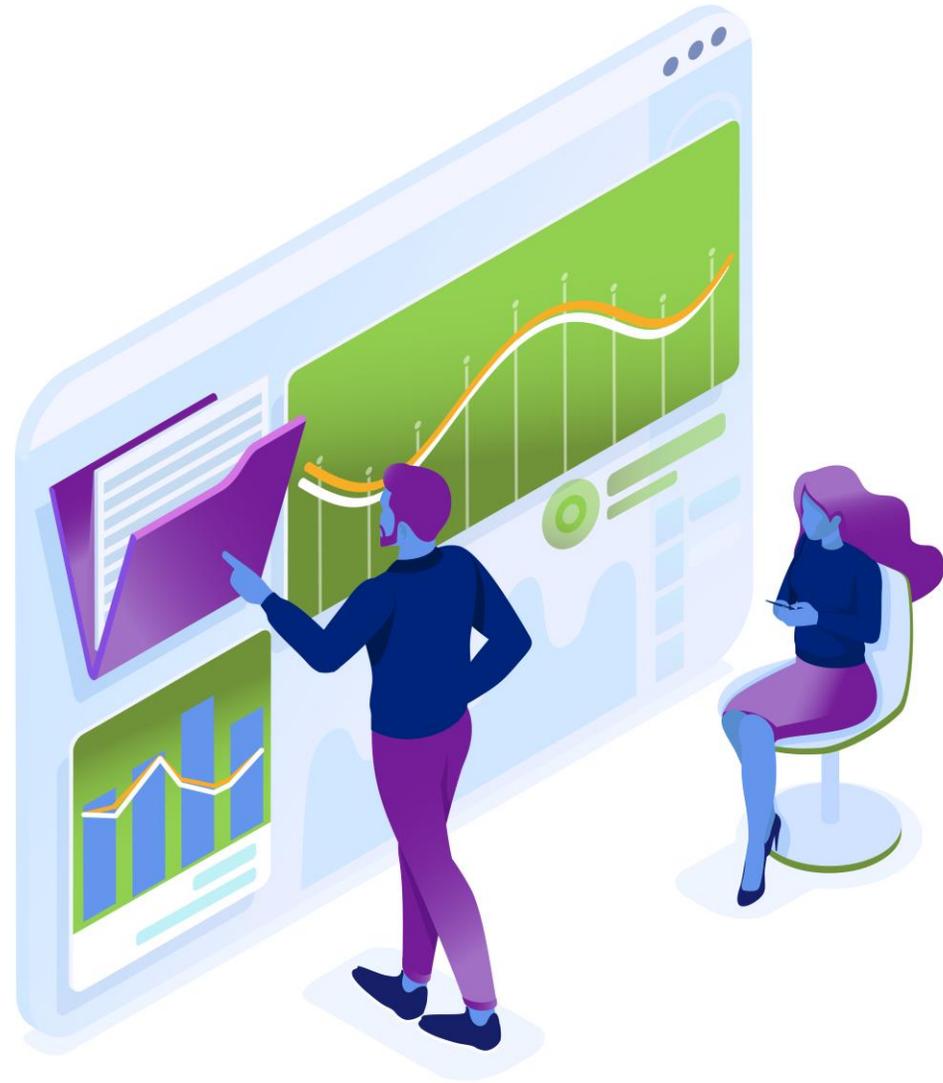
More specifically an integrated employee data platform would allow HR to take a number of high value actions:

1. **Statistically measure** the impact of HR (initiatives, benefits, rewards) on the rest of the business;
2. Collect data that allows **robust cost-benefit analyses** to optimise the benefits and rewards strategy;
3. Model and develop different **employee segments**;
4. Tailor the people strategy to have **differentiated offerings** for different employee segments based on their needs and what is valuable to them given the lives they lead (eg assist in implementing a D&I strategy);
5. Use **predictive analytics** based on machine learning and AI to identify future retention or productivity issues and allow timely intervention;

6. Create a superior **employee experience** that will attract and retain the best talent.



The Current World of Employee Compensation



2.0



2.0 The Current World of Employee Compensation

2.1 Compensation Strategies are Difficult to Design

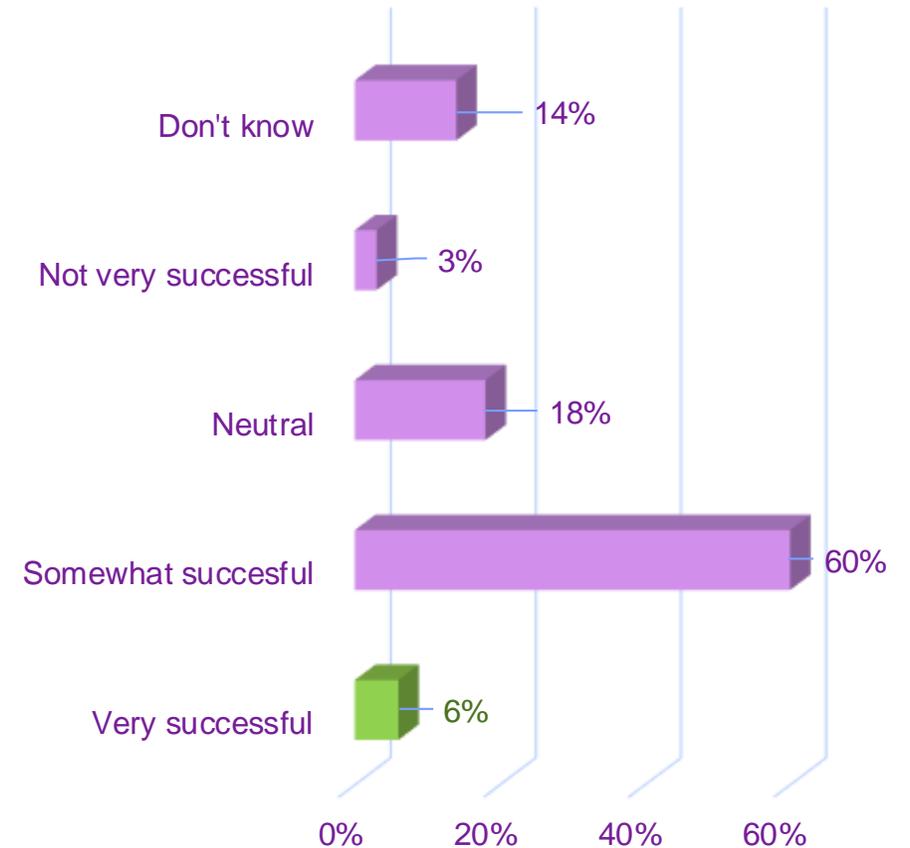
Benefits, a component of compensation, are becoming more complex to manage, given the changes in how people choose to live and work, and what they want from their employment experiences. AON's 2021 UK Benefits & Trends Survey identified the top 5 most important objectives for a benefits strategy

1. Improving employee engagement
2. Cost management
3. Employee retention
4. Employees' choice of benefits
5. Recruitment

Yet only 6% of employers described their benefits strategy as being very successful in achieving these objectives.

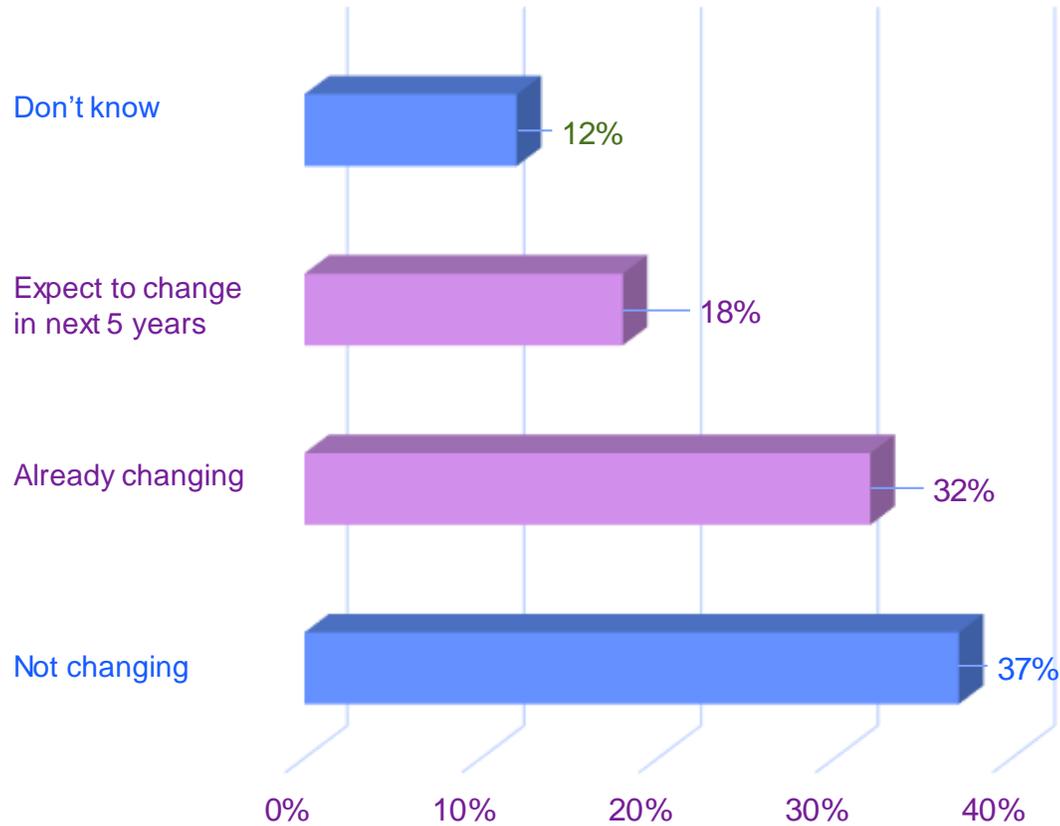
Layering on pension, cash bonuses in addition to benefits makes compensation design even trickier.

Figure 1: Thinking about these objectives, how successful has your benefits strategy been in achieving these? , AON 2021 UK Benefits & Trends



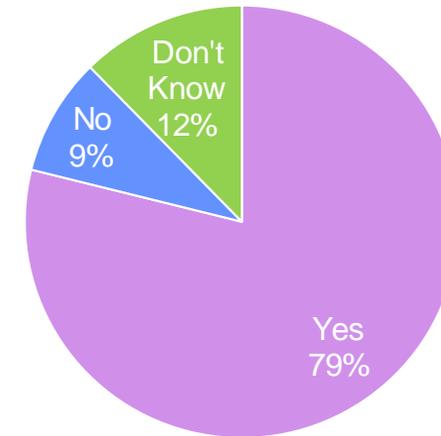
Half of employers say that the target segments where they compete for talent will change in the next five years.

Figure 2: Is your business changing to the point where you are now competing for talent within different market sectors? [AON 2021 UK Benefits & Trends](#)



79% believe they will need to change their benefits offering to meet the needs of future generations entering the workforce

Figure 3: Do you believe you will need to change your benefits offering to meet the needs of future workforce? [AON 2021 UK Benefits & Trends](#)



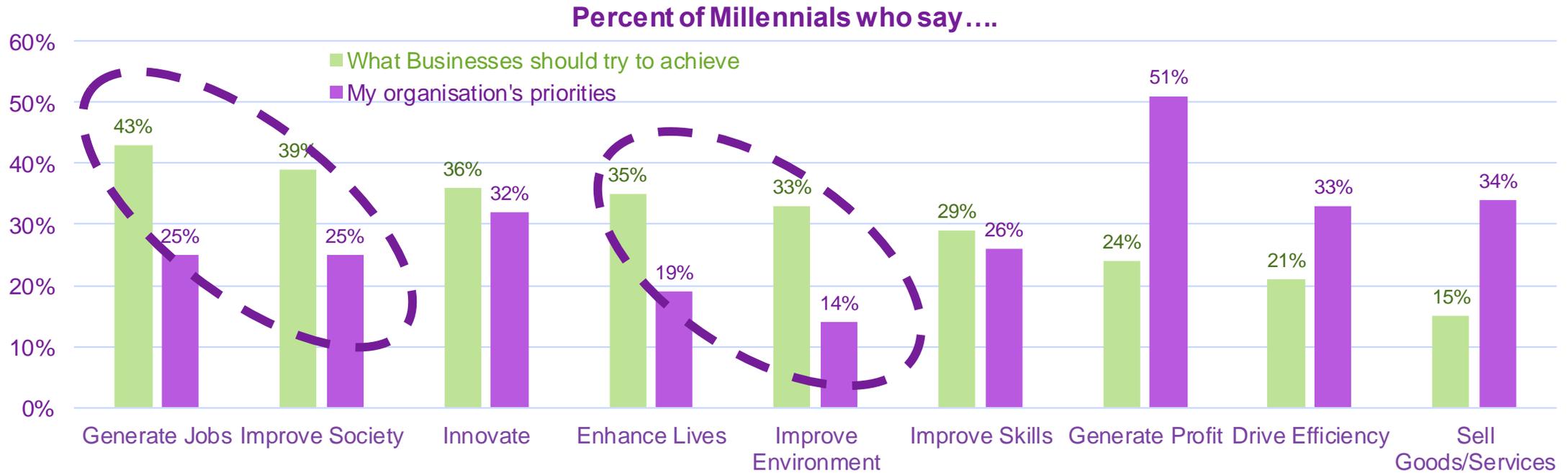
Employers need data to know which benefits engage and impact employees from any particular demographic or segment. Without this information, at best employers rely on gut feel and anecdotal water cooler conversations, at worst they play a guessing game.



2.2 Covid 19 and Demographics has Accelerated Changes in the Employee-Employer Relationship

Millenials are looking for more from their employer than just good pay and promotion prospects, as reported in the 2018 Deloitte survey of millenials. This showed a growing gap between what employees expect and what their employer provides, especially in the areas of improving society, enhancing lives and creating jobs.

Figure 4: What businesses should be doing vs what my organisation is doing [2018 Deloitte Millennial Survey](#)



Employers are the most important source of truth for employees. According to the [Edelman Trust Barometer](#) people trust businesses and particularly their employer more than any other institution.

Organisations that are in-tune with what their employees want, based on looking at actual behavioural data, and are quick to adapt will become the long term winners in attracting and retaining talent.

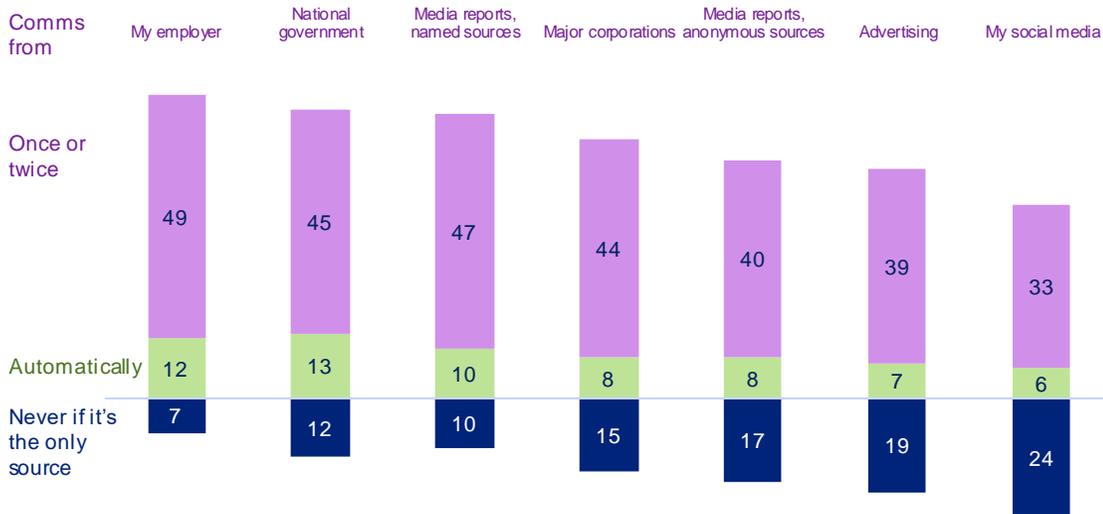


Figure 5: Number of times people need to see the information before believing it by source, 2021 Edelman Trust Barometer

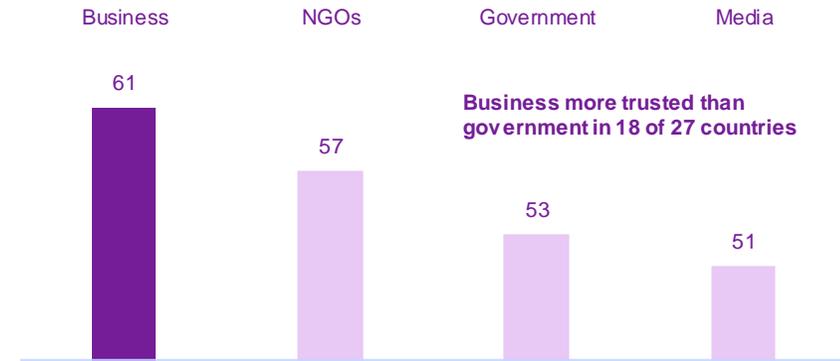


Figure 6: Who employees trust, 2021 Edelman Trust Barometer

Change in importance as an employer attribute since last year	Net Change	More Important	Less Important
Keep workers, customers safe	+49	59	-10
Job skills training programmes	+44	54	-10
Regular employee communications	+44	54	-10
Diverse, representative workforce	+39	50	-11

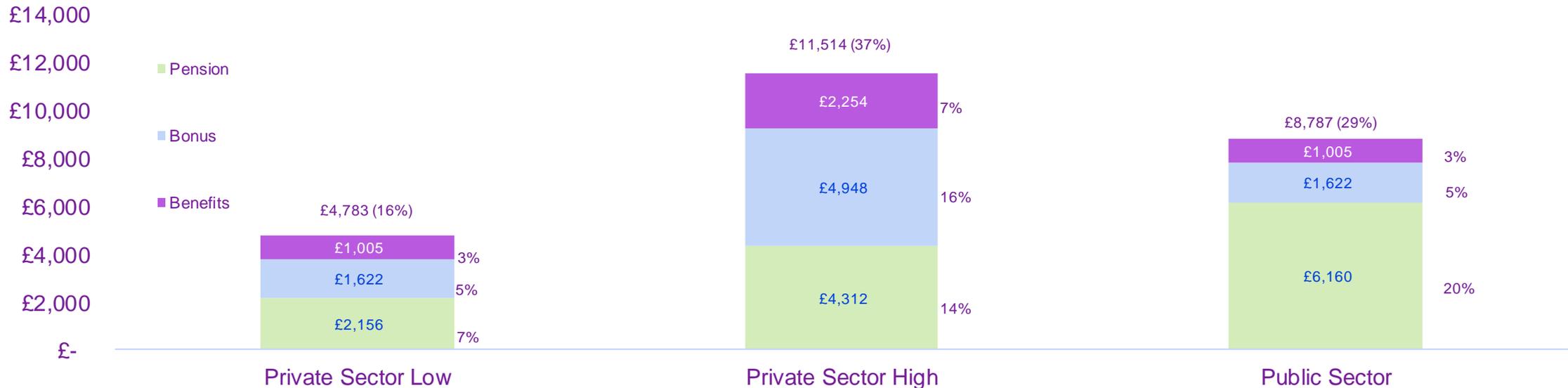
Figure 7: What employees want from their employers, 2021 Edelman Trust Barometer



2.3 Benefits and Incentives are Costly and Need Careful Management

Employee benefits are costly. The three main categories of benefits and incentives are pensions, cash bonuses and other benefits. The total spend on all three ranges from £4,783 to £11,514 per employee per annum in the private sector, and a median amount of £8,787 per employee per annum in the public sector. This is the equivalent to £4.8-11.5m for every 1,000 employees.

Figure 8: Amount spent by employers on pensions, bonuses and benefits: HMRC, Xpert HR, CareerSmart



This large sum raises two key questions:

1. Is the total the right amount, or is it too little or too much?
2. What is the optimal way of allocating that cash sum?



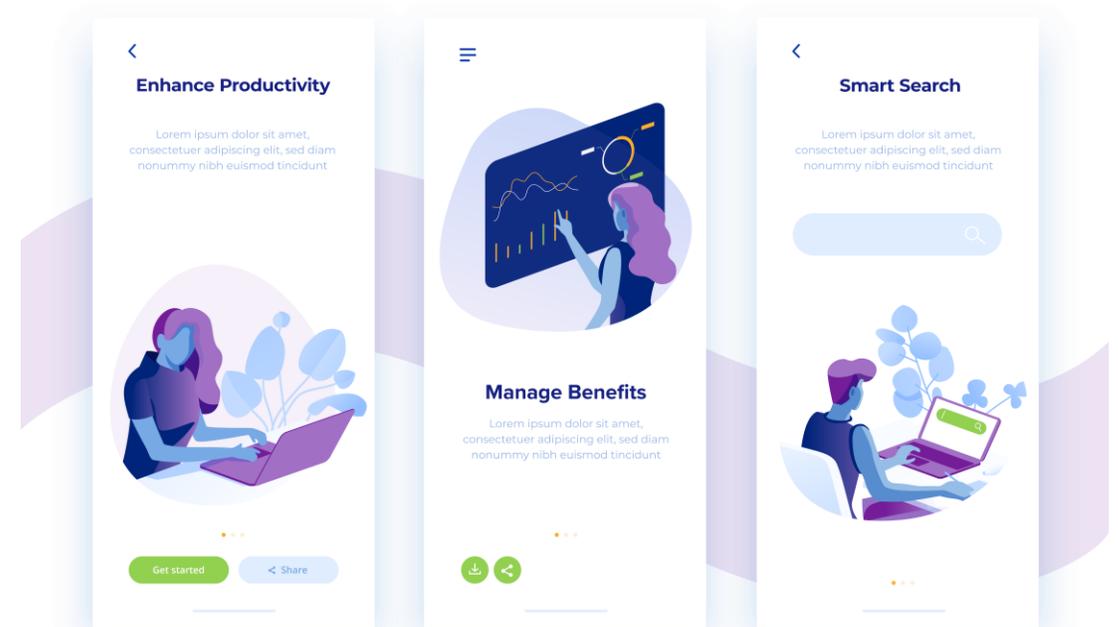
The [AVIVA May 2019 UK Workplace survey](#) found that almost half of businesses struggle to offer competitive benefits because the cost of implementing them is too high.



Figure 9: Factors effecting implementation of benefits, AVIVA UK Workplace Survey May 2019

Employees value some benefits much more than other benefits: some value pension contributions more than cash bonuses; some value a gym membership more than discounted holidays. Engagement with benefits also varies, with average engagement for a particular benefit, according to various Salary Finance employee surveys being less than 5%.

Employees may be unaware of what is on offer, or not understand the value, or not knowing how to access them. The various benefits also have a different impact on the engagement and performance of different employee groups described by age, gender, type of work, years of service, and location. But without the data to understand what works well for the employees and employer, and what doesn't, it is all guesswork.



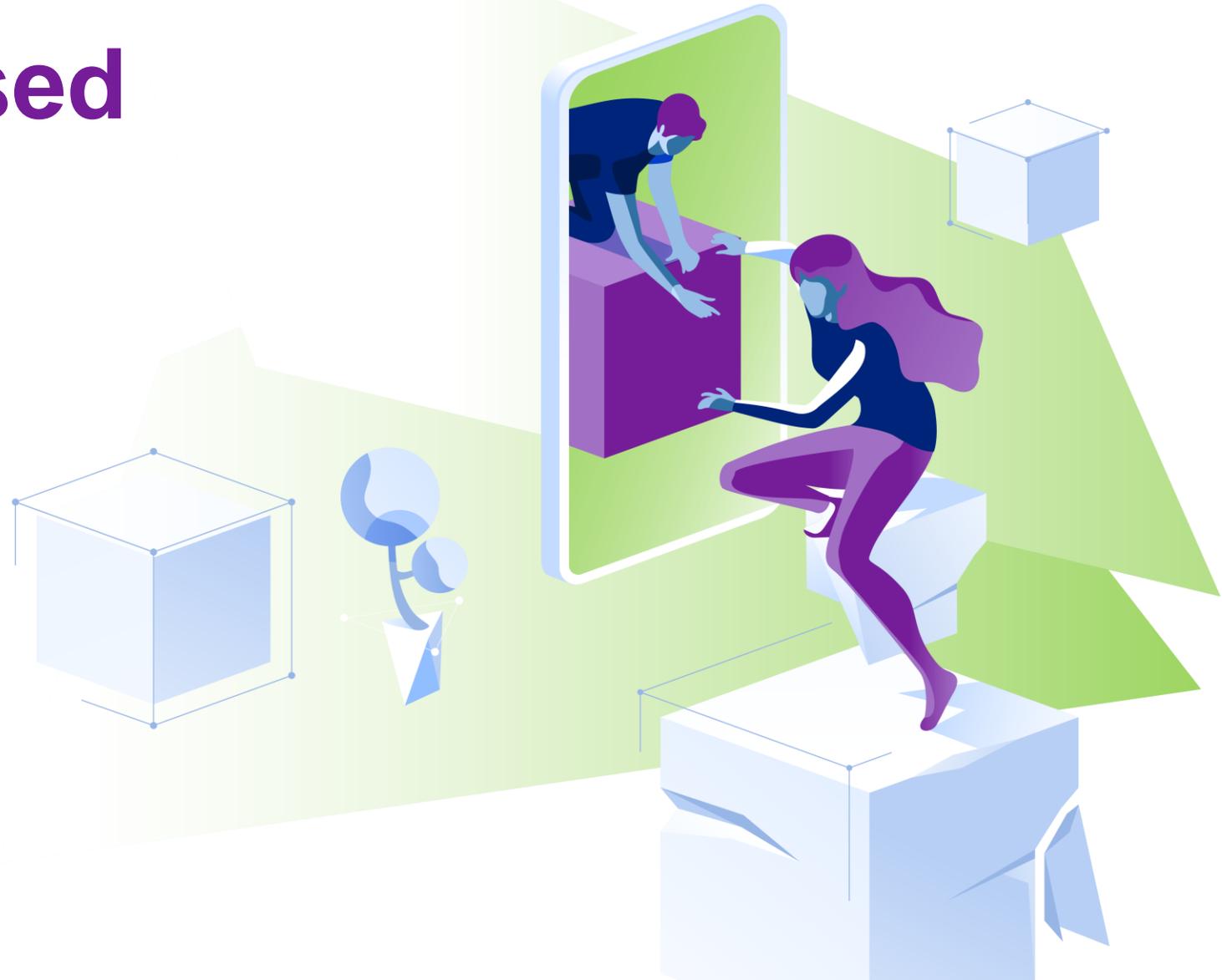
This complex and information poor situation is resolved through a single low-cost platform which makes three easy changes:



1. Allows employers to simply add and remove benefits without the need for complex integration or onboarding (time spent with IT, finance, payroll, and HR teams in making a benefit available) .
2. Clearly determines which benefits are actually being used by different workgroups.
3. Easily calculates whether or not the benefit is paying for itself by increasing retention, decreasing absence and/or improving performance.



How Data Revolutionised Marketing



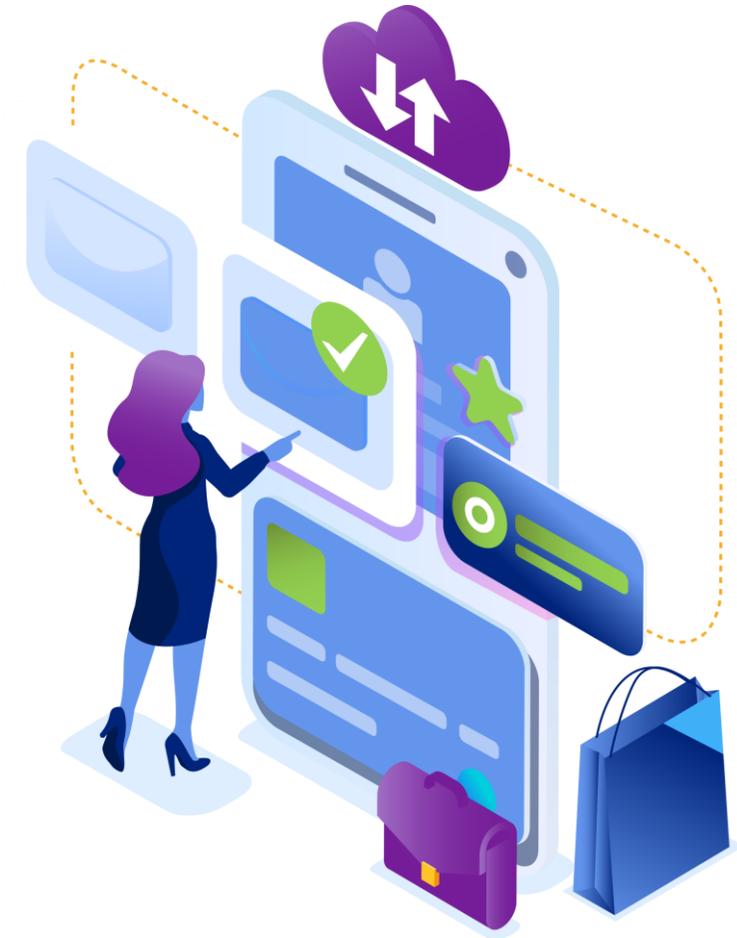
3.0



3.0 How Data Revolutionised Marketing

Organisations can have a large number of different benefit and measurement systems. For the most part these systems are standalone. Benefit providers cannot tell you whether their benefit actually works or doesn't, because they don't know what other benefits there are, and they don't have access to recruitment, absence, wellbeing, performance, productivity, retention and employee experience data.

A similar and equally complex issue existed in the world of marketing. Historically it was extremely difficult to work out whether it was the TV ad, radio ad, Facebook ad, YouTube, website, or discount that resulted in the sale. There were multitudinous marketing tools and agencies, each of which would come up with a business case as to why the marketing department should use its services. Lots of data sources, lots of competing activity and lots of ROI calculations generated by the marketing team that were difficult to get accepted by the finance team. With lack of a reliable unified database, the marketing team needed to rely heavily on intuition and experience. This made everyone a "marketing expert," relying on their own intuition and experience and suggesting to the marketing team what to do.





About a decade ago a new marketing tool emerged that brought all of these data sources together, built a Customer Data Platform (CDP) from which you could create a Single Customer View (SCV). The Single Customer View allowed marketers to determine clear customer market segments and which marketing campaigns the customer had interacted with and when.

The SCV allowed companies to have a better understanding of the relative contribution of each marketing intervention to generating the sale. Now marketers can make better decisions that are data based. Growth marketing and marketing insight teams now exist within the most progressive organisations.

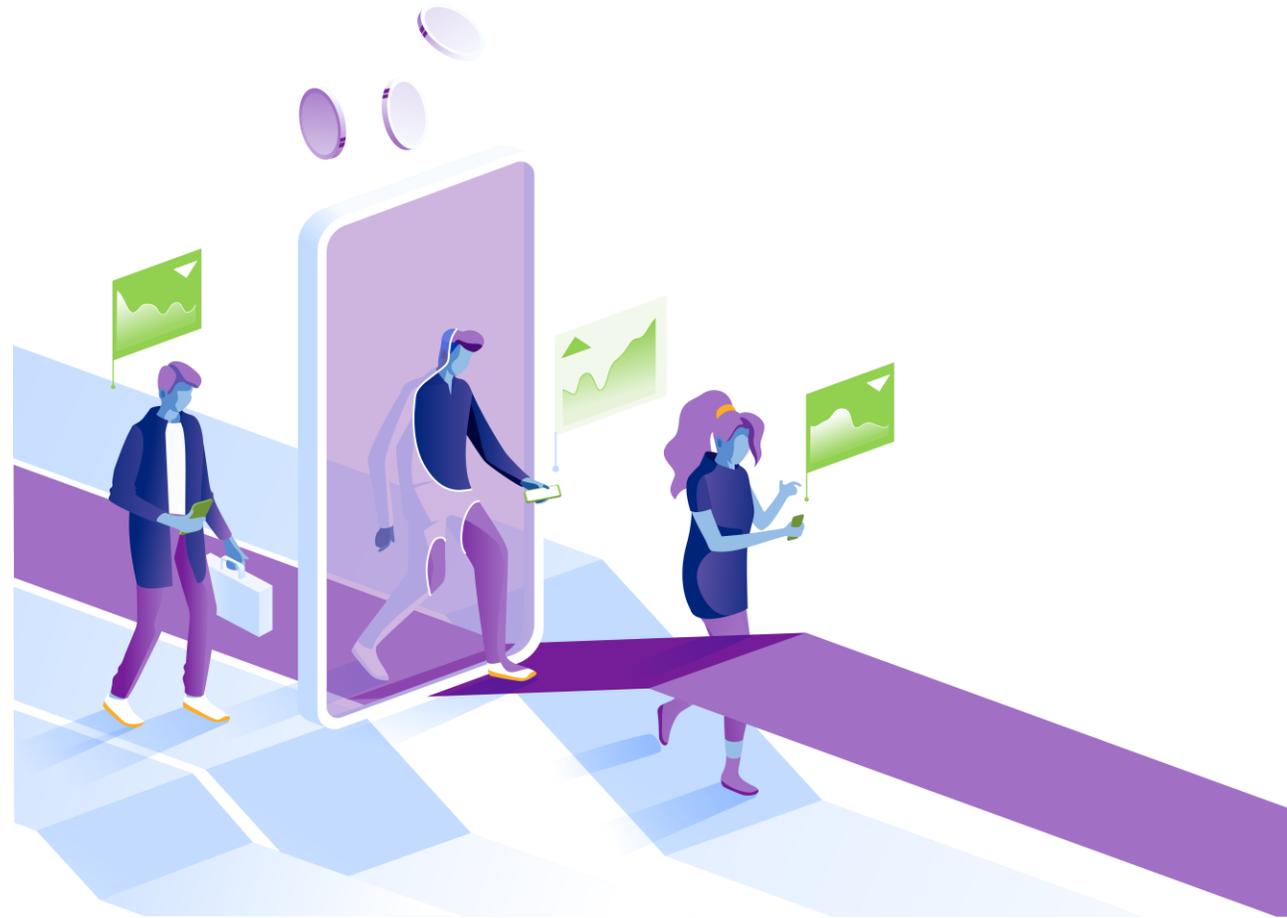
The role of marketing has transformed over the last decade. There is a whole new information vocabulary in marketing job roles that have now become mainstream and hygiene factors rather than specialisms: Search Engine Optimisation, Conversion Rate Optimisation, Click - Through Rates, Dwell Time Per Page, Bounce Rate, CRM, PPC etc. Today marketing is not just about the creative content, but has grown in its importance for delivering business results.



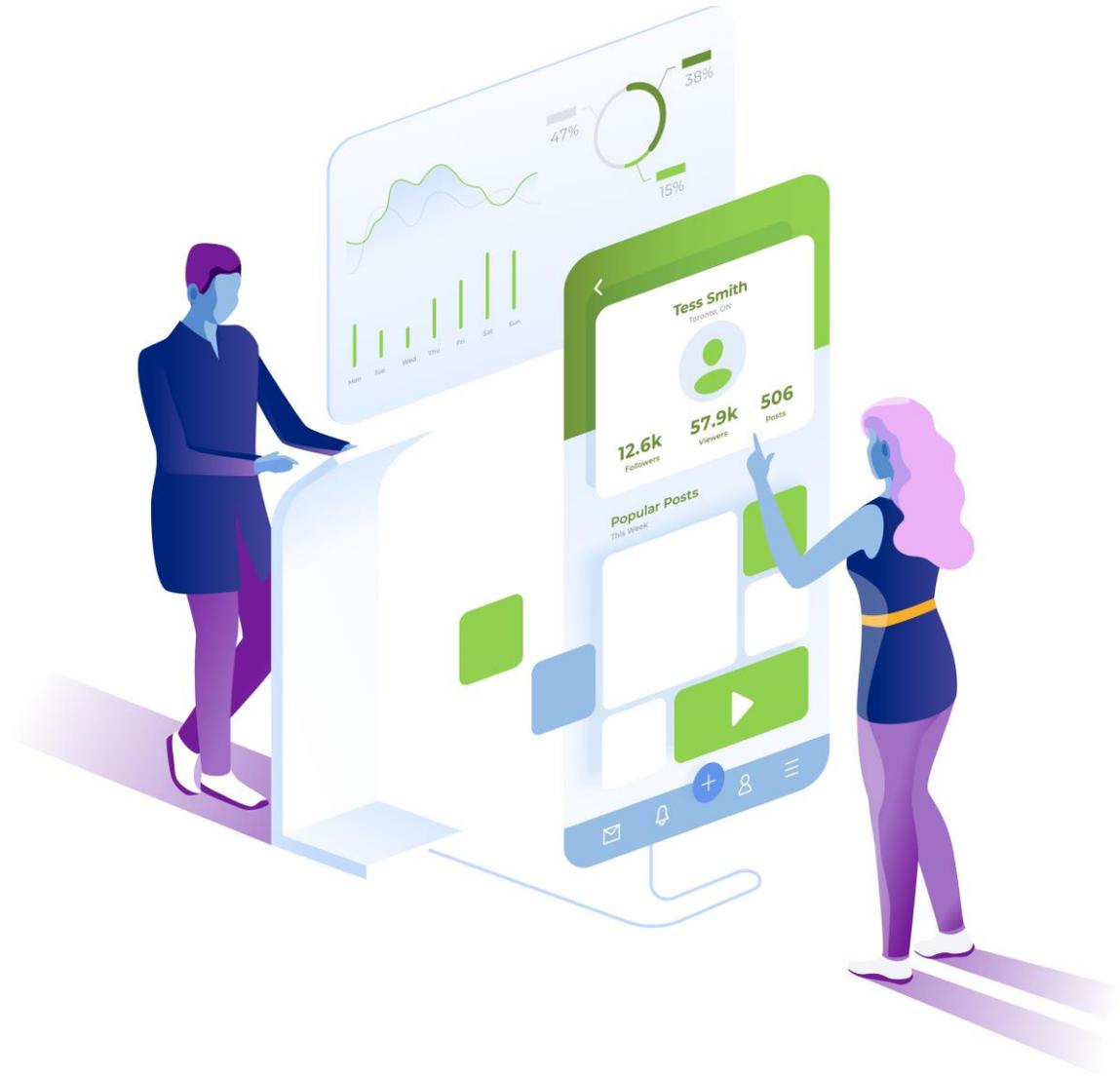
The marketing team now knows much more about its customers' lives, interests, leisure pursuits and especially their purchasing decisions. It can now engage and market to customers in a much more sophisticated way, which creates a very personalised customer experience.

Two well known examples are Amazon and Netflix, where even the log in screen is customised to you and your preferences. It is no longer about great marketing but about creating a superior customer experience.

The HR professional has a similar opportunity, though more complex as they are tracking multiple metrics. This is to work out the contribution of a specific benefit to each particular metric for each employee or employee group.



Data Driven HR



4.0



4.0 Data Driven HR

- SAGE
- Hibob
- Workday
- Bamboo HR
- Peakon
- Operations Data
- Commercial Data
- Pension
- Cash Bonus
- Company Car
- Share Save
- Reward Gateway
- EAP
- BUPA
- Gympass
- Salary Finance

“Single Sign On”

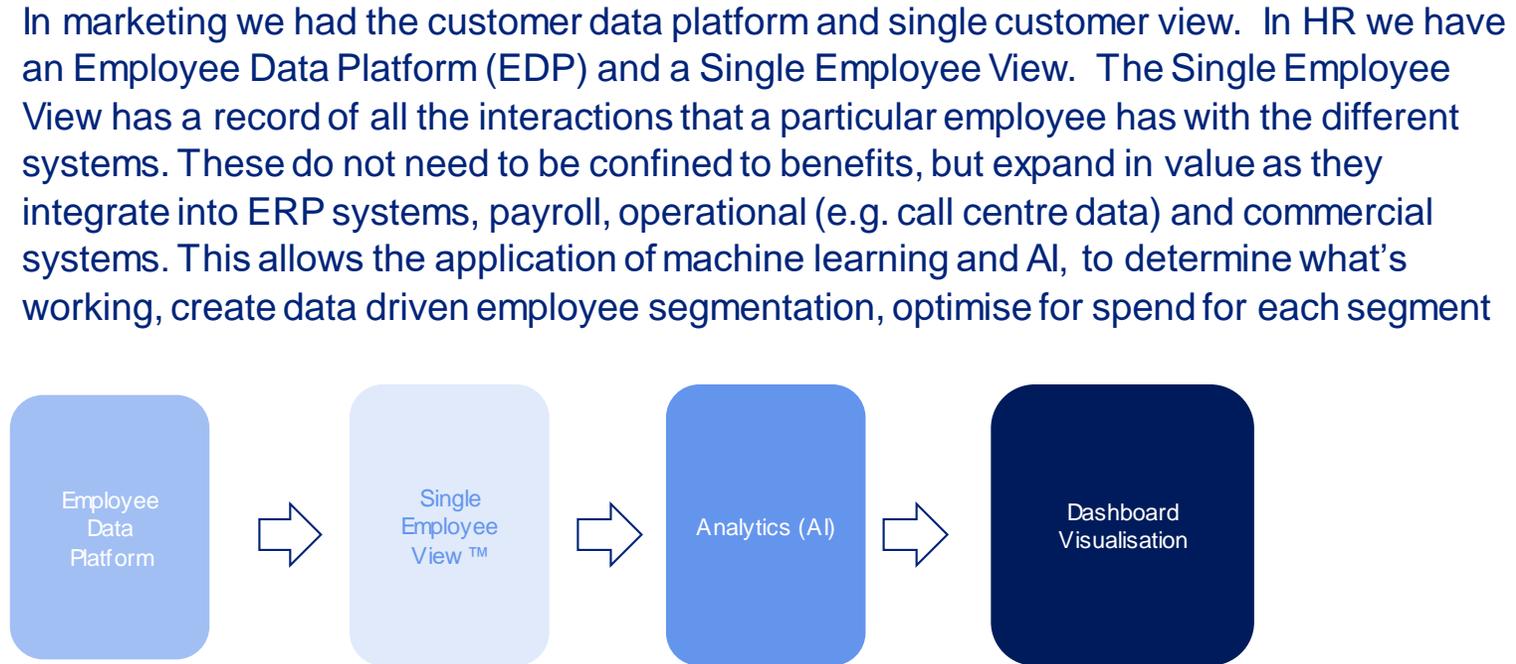


Figure 10: HR Clarity approach to integrate the disparate HR systems



4.1 Eight Benefits of a Single Employee View

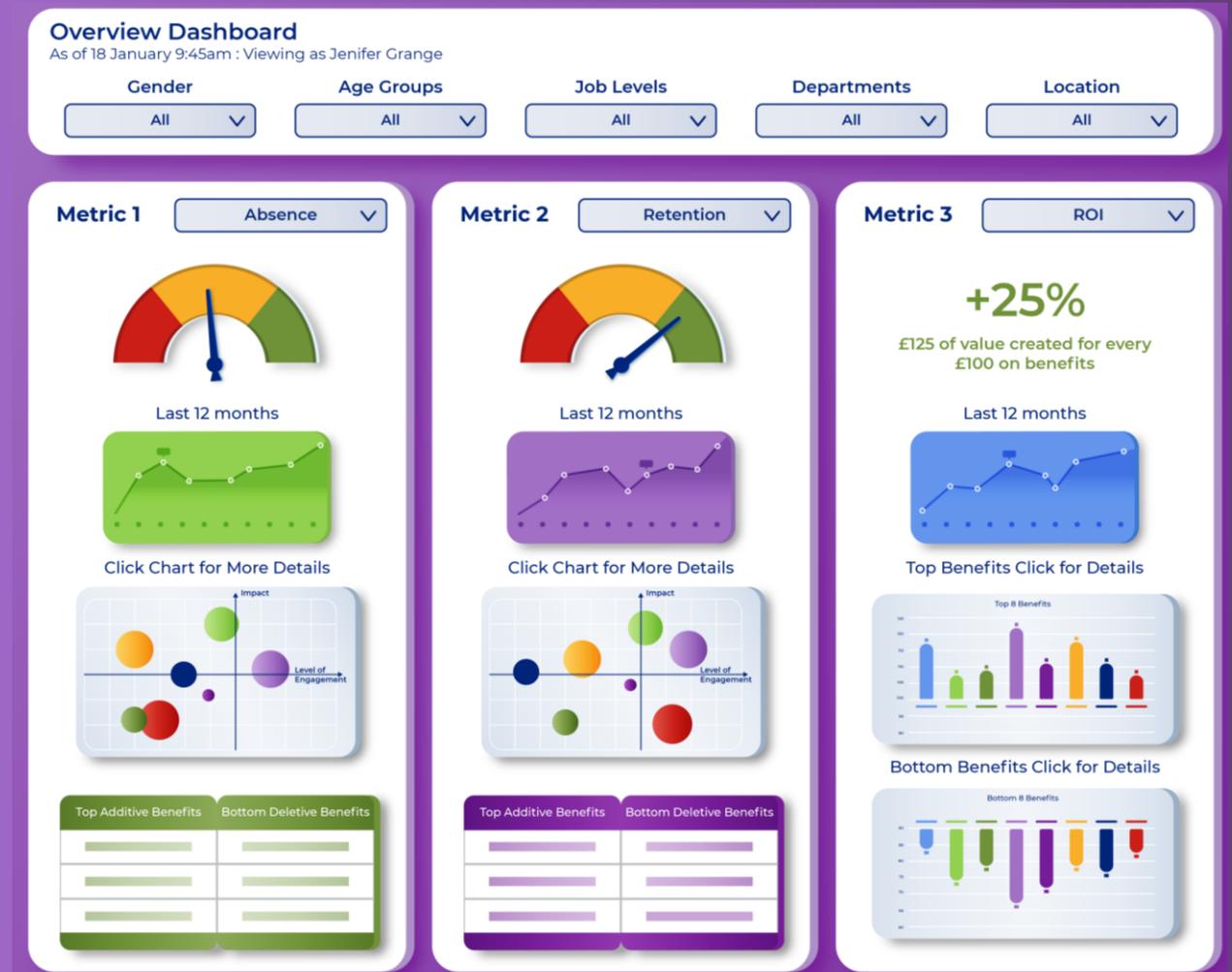
1. It breaks down the data silos between HR and the rest of the organisation;
2. All the data is in one place, allowing you to record all interactions with a particular employee;
3. The impact of benefits, pension contribution, bonuses, flexible working, incentives and other interventions can now be measured and brought back to absence, retention, productivity, and to sales and profitability (if tracked and measured at the individual level);
4. With all of the data, richer employee segmentation is easier, and it is now possible to see the differential impact of benefits and interventions;
5. The pensions pot, cash bonus and benefit spends don't have to be separate, and a more holistic approach to optimising spend can be taken;
6. Data rich conversations can now take place with HR and the commercial, operational and finance teams;
7. The dependence on IT team for ad-hoc analyses and data requests is mostly eliminated;
8. HR can now benchmark with other similar organisations.



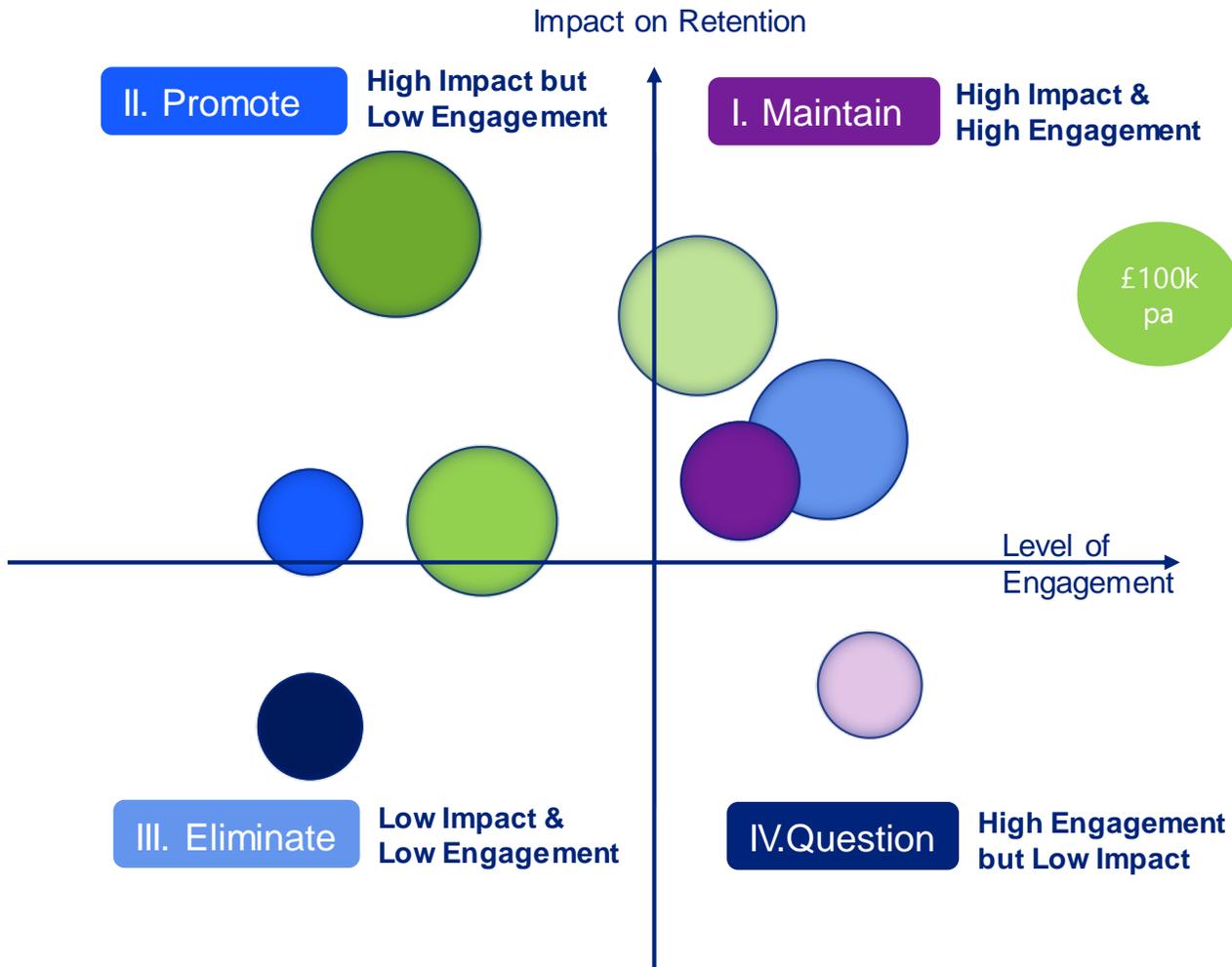
The data driven HR team now has the ability to create a superior tailored employee experience.

Dashboards can be created that give simple clear snapshots.

Statistical analysis can now determine the numerical contribution (impact) of each of your benefits on key business metrics that you accurately measure such as retention, absence, lost time incidents, productivity and staff happiness. This allows a more accurate measurement of the ROI of each and every intervention.



4.2 Smart Visualisations



Plotting a particular intervention's impact (e.g., retention against engagement) creates a clear visual representation of how a particular intervention is working. Where each intervention is a circle, the size of the circle representing the annual cost of that intervention. There are four quadrants:

- I. Maintain: Your people are engaged and it has a positive impact.
- II. Promote: These are high impact interventions but not enough of your people are exposed to it. These need more promotion: line manager briefings, testimonials, newsletters, emails, internal comms;
- III. Eliminate: These interventions are not working and are not engaging, they should be stopped
- IV. Question: There is strong interaction with this intervention but it doesn't seem to have much of an impact. This intervention could be eliminated or potentially only made available to an employee segment where it has a positive impact

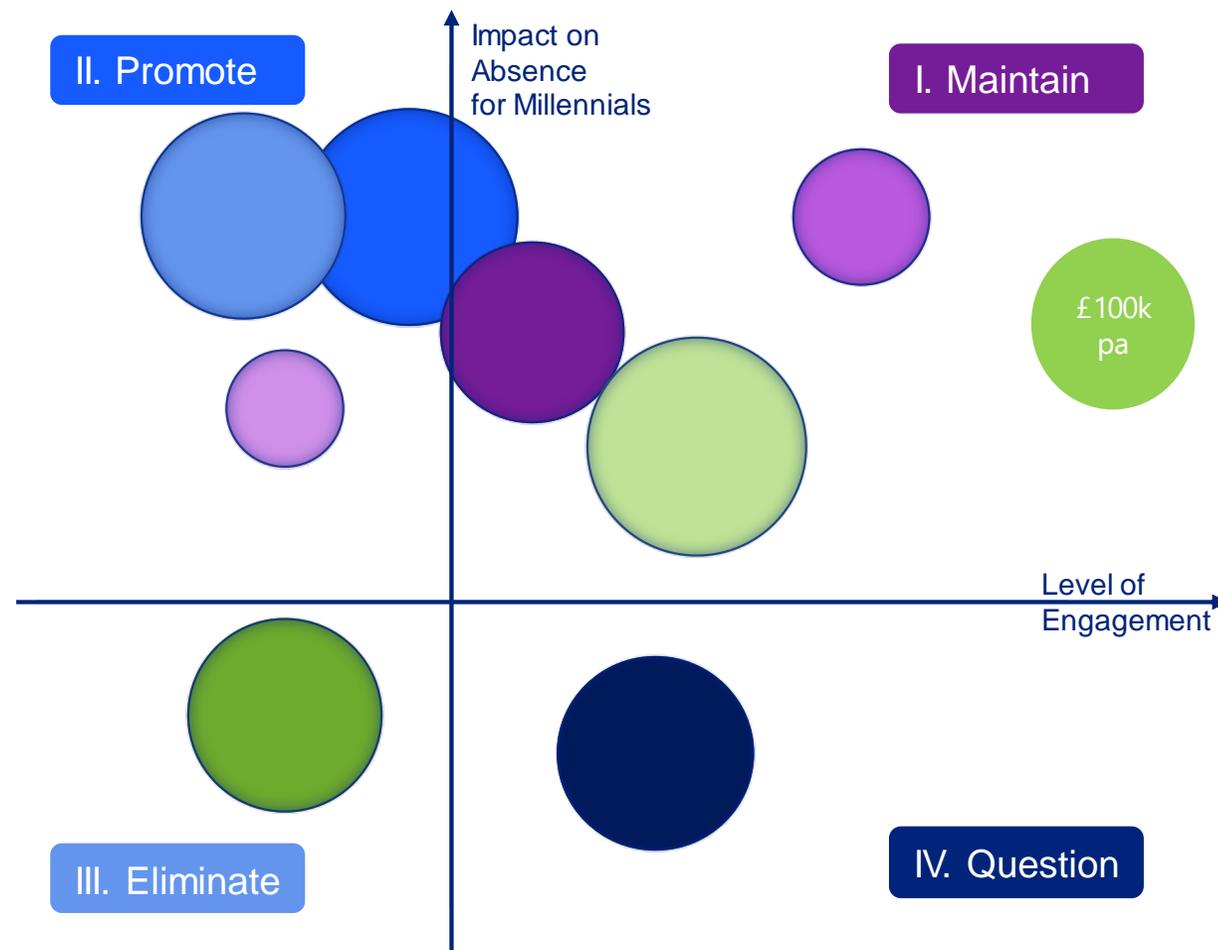


Visualising what matters to different employee segments

You could do this type of analysis not only for the entire organisation, but also for certain employee segments: millennials vs boomers, head office vs warehouse, or even high performers that you are worried about being able to retain.

This allows you to see which interventions are truly impacting a particular people group against a specific metric.

Such an analysis can be used to build a differentiated HR strategy based on employee segments where each segment could have a different mix of pension, bonus and benefits spend, and types of benefits.



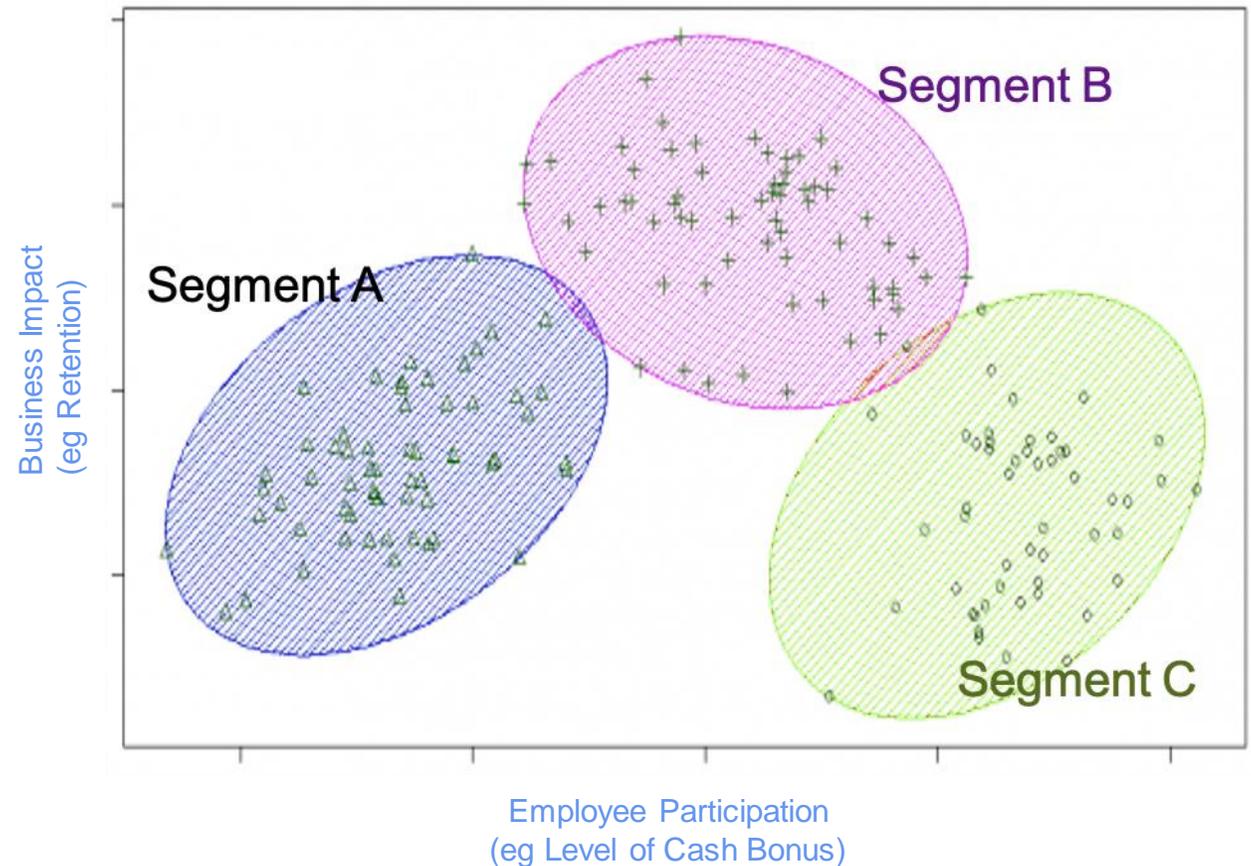
4.3 Employee Segmentation

Without an accurate segmentation, the HR professional is left with just one choice: to come up with an offering that is best suited for the entire population, looking for the lowest common denominator. The result is an offering that somewhat appeals to everyone but doesn't really appeal to anyone.

A true segmentation can be done with cluster analysis on the single employee view data. In the simplified example shown here, if you ignore the hatched circles there seems to be little or no relationship with cash bonus and retention.

However, using statistical analyses, three segments emerge. For segments A and C, bonus helps with retention. For segment B it does not. Perhaps instead of bonus a higher base salary would be better – keeping the total expense the same.

Figure 11: Cluster analysis for employee segmentation, each data point represents an individual



About HR Clarity

HR Clarity is a SaaS tool provided on an annual licence fee. It pulls all the data from all the systems to create a customised employee data platform and set of reports to measure the impact of HR interventions. It is scalable, GDPR compliant and secure. It has a number of use cases which include:

1. Optimise total compensation spend and improve impact by tailoring your offering to different employee segments;
2. Differentiate your offering to support various initiatives such as a Diversity & Inclusion, Wellbeing strategies;
3. Plug and play new benefits and initiatives easily.

The typical annual licence fee is less than 1% of your total spend on pension, bonus and benefits. As an investment it should pay for itself within a year.

Contact us at support@saphestera.com to find out more.



About the authors



Dhiren Master is the founder of HR Clarity by Saphestera. He is a self-confessed data nerd with an Engineering degree from Cambridge University. Prior to Saphestera, Dhiren was the Global Insights Director at Salary Finance, author of the UK and US Employers' Guide to Financial Wellbeing and a frequent international presenter at HR Conferences on the subject of financial wellbeing.



Peter Meyler is a senior level people analytics and insight, employee experience consulting and Diversity & Inclusion (D&I) professional. He has worked for and with a wide range high profile UK employers helping them to understand and balance the costs and risks of employment with the benefit and value created through market leading employment propositions, high levels of employee engagement and a high quality employee experience.

