

The age of adaptability:

A digital-first approach to benefits in a post- pandemic world

Executive summary

benefits that truly benefit



Introduction

Organizations, HR teams and the employee benefits they provide were stress-tested to the extreme during the pandemic.

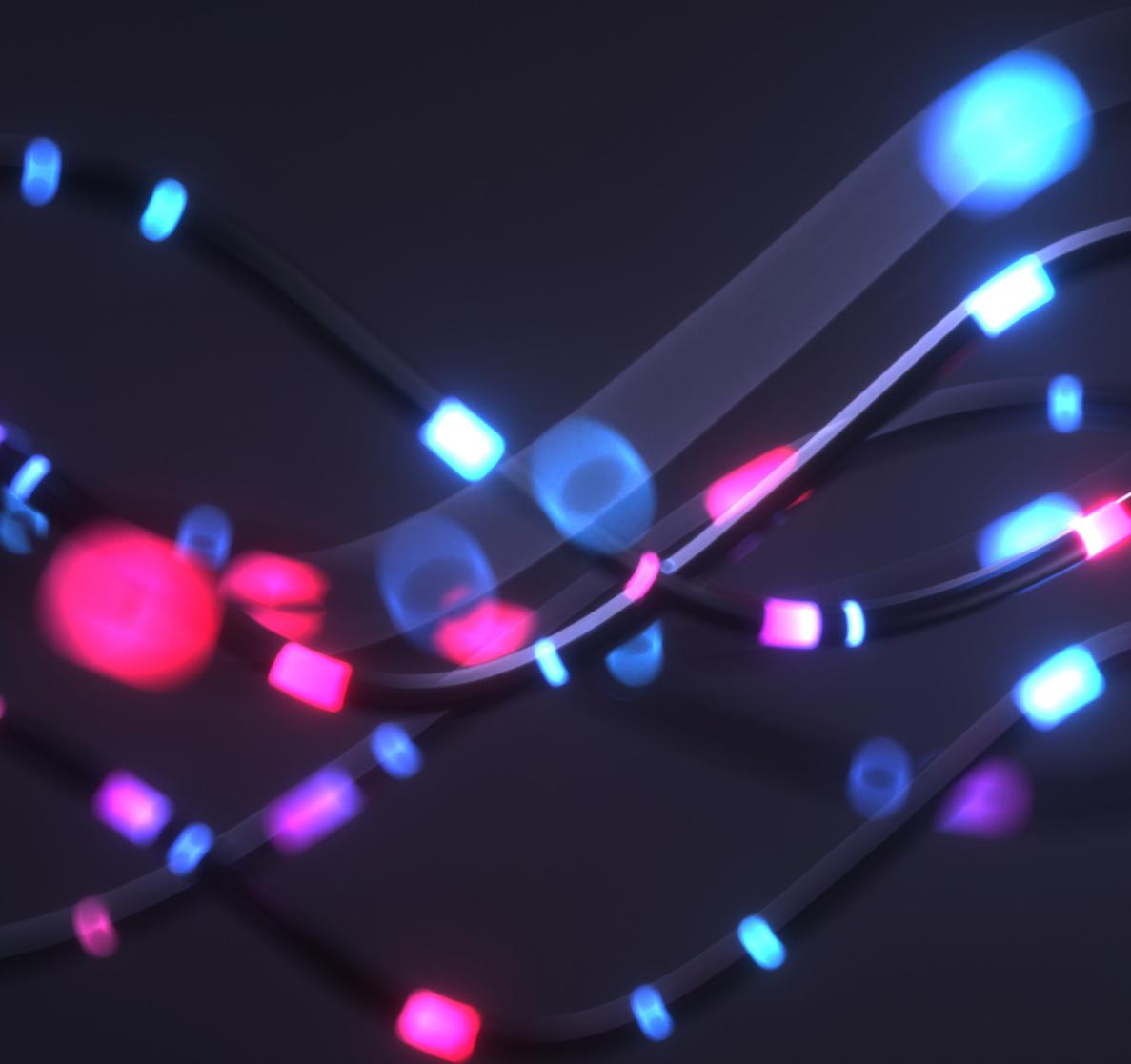
The unprecedented challenge of keeping employees connected, engaged and supported as COVID-19 spread across the globe meant that for the majority of organizations, benefits shot up the corporate agenda. Even before the pandemic, the C-suite was increasingly recognizing the real value of employee benefits in achieving overall business objectives. With employers forced to become more than just providers of employment—but also social connection, emotional support and mental wellbeing—benefits became more essential than ever.



85%

of benefits and reward teams say their role has increased in importance.





At a time when corporate incomes were plummeting, there might have been an expectation that benefits budgets would be cut. After all, with large swathes of the workforce in lockdown, furloughed or working from home, many benefits—from commuter discounts to gym memberships—became obsolete for many employees.

However, the opposite was true.



With this increase in visibility and investment, HR and benefits teams will be under increased scrutiny, with pressure to deliver reliable data points to prove that this investment is being spent wisely, and providing the return on investment (ROI) the board expects.

For this, they will need to consolidate their data sources, and focus on strengthening their data analytics capabilities. As it stands,



for 69%
of organizations, it
would take longer than
a week to answer a very
simple question:



**What is our highest
costing benefit?**



With lockdowns leading to isolation, uncertainty and anxiety, HR and benefits teams with best-of-breed technology largely managed to pivot their benefits offering quickly, with an increased focus on physical, social, financial and mental wellbeing. Many organizations also turned to technology to deliver these benefits, to report on their efficacy and to help manage their global workforce.



Being able to adapt quickly was vital—as was enabling employees to access their benefits through consumer-grade technology.

The result? Employees who felt supported by their employer during the pandemic, are now more likely to say their employer cares for them. This has made them more energized at work and more likely to remain loyal to their employer.

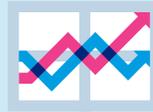
However, there was a big divide between employees who felt well supported and those who did not.



1 in 4

say their organization did not offer benefits that provided them with the right support.

This should be a wake-up call to employers who do not have the systems in place to deliver their benefit programs, and adapt their offering as needed. But change is afoot.



52%

are very likely to consolidate their benefits technology and brokerage/consultancy with a single adviser in the next 12 months, as a result of the pandemic.

Now that the world has opened up for business again and economies are bouncing back, employers who failed to provide the right levels of support will have to rebuild with a workforce that is less committed to their organization. As a result, they face high employee turnover as well as a rise in mental health absenteeism. Whereas organizations that delivered, will see a huge competitive advantage.

Making sure they have the right digital infrastructure, benefit offerings and partners in place to face the challenges of tomorrow will be the real post-pandemic challenge for HR and reward teams.





The employee experience

COVID-19 has changed so much, but employee experience still rules.

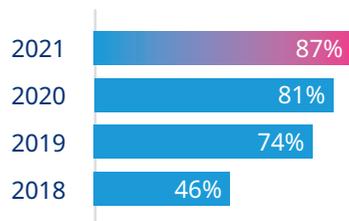
Post-pandemic, organizations are focusing on what brings employees together, wherever and however they are working.

At a time when employees are more dispersed than ever there has never been a greater need for them to share a consistent employee experience. Last year's report highlighted the direct connection between global consistency and higher levels of employee engagement. Although the workforce has been forced to cope with unprecedented change—this can be a unifying experience that helps build trust and loyalty and this must continue to be nurtured.

So, while providing a “globally consistent employee experience” has been the number one priority for HR teams for the last few years, it has now been propelled even higher up the agenda.

Nearly 9 in 10 organizations (87%) say that this is their top priority (Fig. 1.1) for 2021/22 compared to just 46% four years ago.

Figure 1.1. Organizations stating a globally consistent employee experience is their top priority



Despite the pandemic, organizations are investing more in benefits and technology than before the pandemic. The need to retain and engage employees during a period of upheaval and uncertainty, has further reinforced the vital role employee benefits play in helping organizations to meet their overall objectives.

The profile of HR and benefits teams has never been higher

The vital role that the benefits and reward team are playing in this rapidly-changing employment landscape has propelled them up the corporate agenda.

Figure 1.2. As a result of the COVID-19 pandemic, do you think the role of the benefits and reward team in your organization has increased in importance in the eyes of the C-suite/board?



However, a higher profile also means HR and benefit teams are being asked to be more accountable. Yet many face a challenge of being able to report effectively and quickly to their boards at a time when they are under increased scrutiny.





Wellbeing — the top priority

Wellbeing support increases

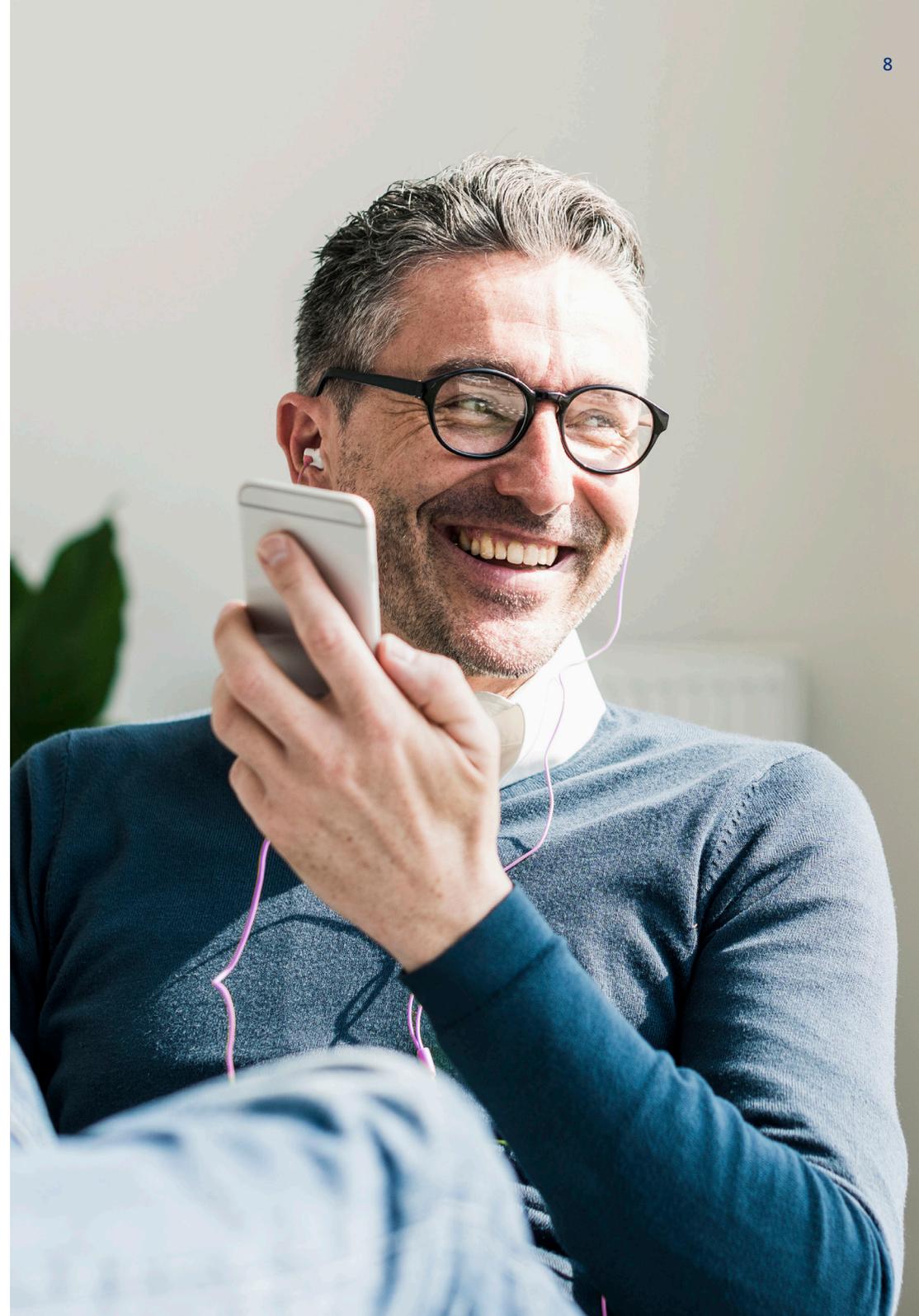
There has been an unprecedented shift towards supporting employees with their health and wellbeing. 84% of organizations introduced new wellbeing benefits as a direct result of the pandemic. Although it was already rising up the corporate agenda before the pandemic, health and wellbeing is now the number one priority in terms of investment.



Investment in employee wellbeing has seen a 60% increase as a result of the pandemic.



Figure 2.1. The biggest changes employees saw to their benefits:



The role of employers as wellbeing providers is here to stay

This shift is not just a short-response to the pandemic. It is here to stay (Fig 2.2).

Looking to the future, the role employers play in providing more than just a salary—but meeting a need for social, physical, mental and financial wellbeing—is trend that is likely to continue with 7 in 10 organizations planning to make investments in employee health and wellbeing a higher priority going forward.

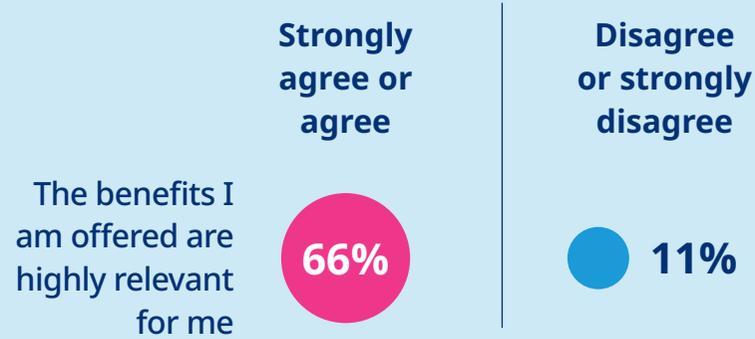
Figure 2.2. We asked employers, 'Is your company's investment in employee health and wellbeing becoming a higher-priority, a lesser-priority or a similar-priority in future, compared to where it is today?'



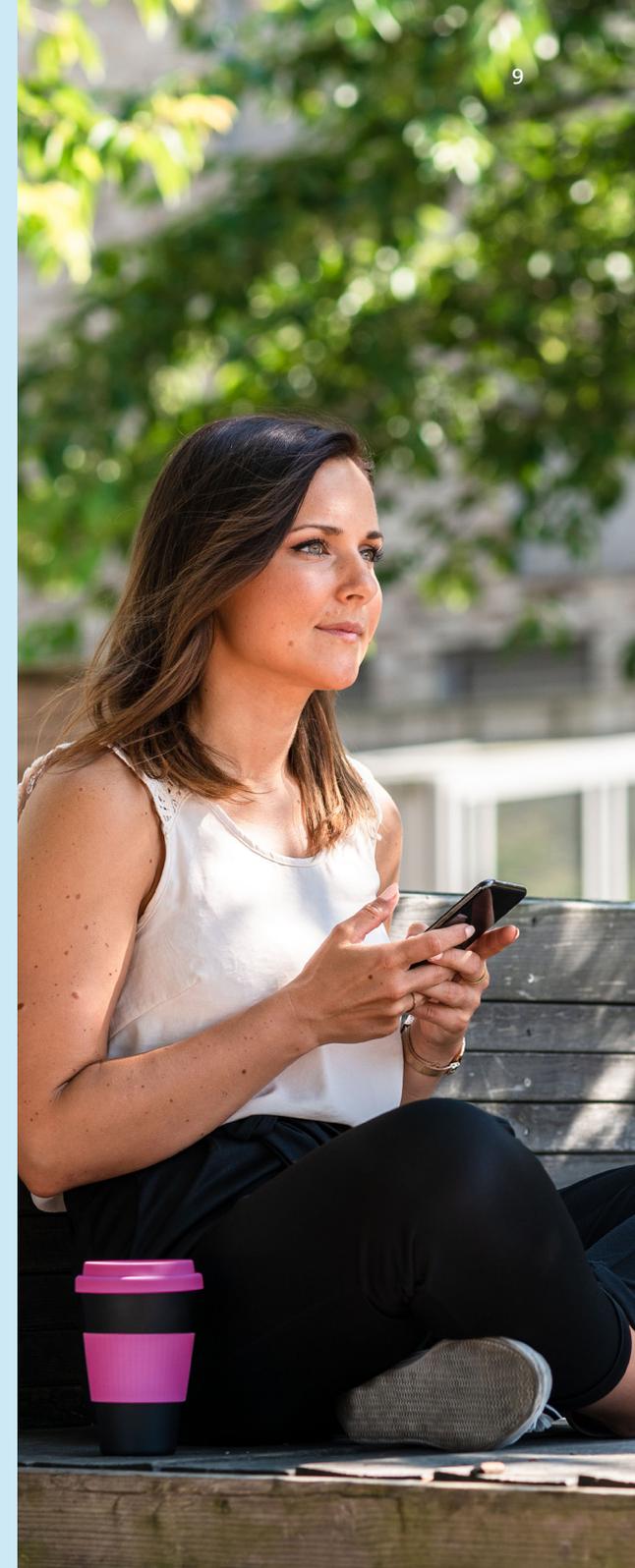
Looking to the future, how will benefits stay relevant?

Employee benefits have proved their worth during the pandemic—helping employees to remain connected and engaged, supporting them with wellbeing and leaving the majority of employees feeling their employers care. However, 1/3 of employees are still not happy.

The challenge going forward will be to continue to build out the benefits employees want—and for those organizations that did not adapt to the new climate, to catch up.



1 in 10 employees, still feel—and strongly in some cases—they are not being heard or that their needs are being met.





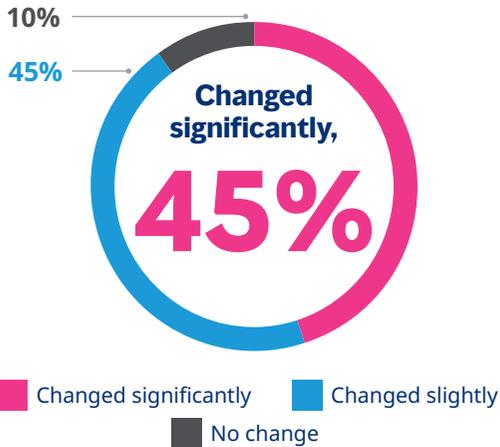
Engaging everyone everywhere

The challenge of catering to a disparate workforce

Going forward HR and benefits teams will need to find ways to unite employees in a shared employee experience, wherever and however they are working.

Many employers have responded to their employees' need to feel connected and supported by their employers at this time of great uncertainty.

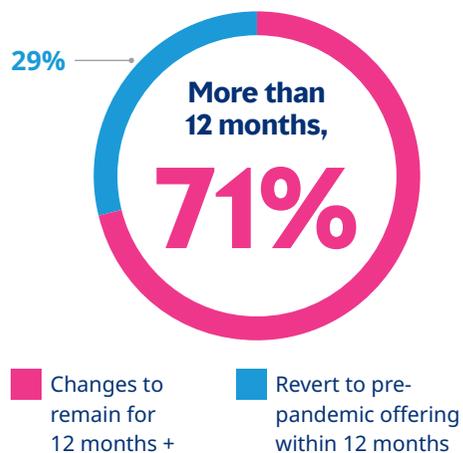
Figure 3.1. Did you change your benefits package in response to the COVID-19 pandemic?



And, these changes look set to stick around, with 71% of organizations expecting the recent changes to remain for more than 12 months (Fig. 3.2)

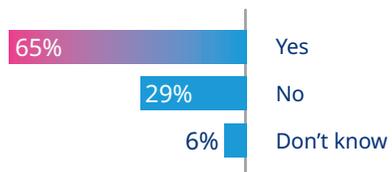


Figure 3.2



Employees have also noticed a change (Fig 3.3) and in most cases they feel their employee experience has improved.

Figure 3.3. Do you feel the employee experience at your organization changed as a result of the pandemic



But some employers are over-estimating the positives

Figure 3.4.



Despite the connection between robust support and increased employee wellbeing, loyalty and engagement, more still needs to be done to deliver benefit offerings in a way that employees can readily engage with. This is especially important now, given how much investment and focus has turned towards benefits and reward.



Benefits top the agenda

Investment increases after benefits prove their value during the pandemic



More than 7 in 10 organizations have increased benefits spend as a result of the pandemic.



Yet with this increased spend, comes an increase in scrutiny—88% of HR and benefits teams have seen more involvement in benefits from the C-suite.

The challenge going forward will be to provide data analysis to prove the ROI on this increased investment. Do teams have the software and infrastructure to do this?

With 72% of organizations spending more as a result of the pandemic, the C-suite will be looking for evidence that this additional expenditure is yielding results.





Investing in the technology to deliver

The benefits themselves are only part of the investment that needs to be made—how they are delivered is also key.

In tandem with an increase in employee benefits spend, there has been an increase in the focus on technology investment.

A growing proportion of overall HR budgets is now being spent on technology.

Figure 4.1.

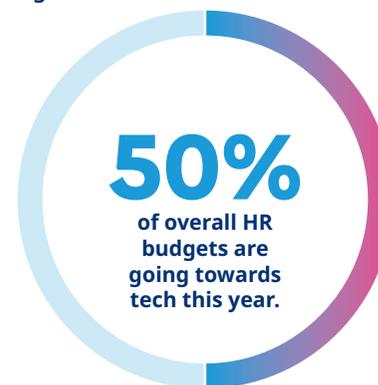


Figure 4.2. What areas of HR are you prioritizing for technology investment this financial year?

- 1 **Talent and acquisition**
- 2 Learning and development
- 3 Digital health and wellbeing
- 4 Reward and benefits

Just as COVID-19 shone a spotlight on the vital role employee benefits play, it also highlighted the need for robust tech to respond to change and keep employees engaged.



Centralization, consolidation & consistency

Virtually every organization has started their digitalization journey, using software to administer and deliver benefits—and the vast majority use centralized software to do. It has invaluable helped organizations to pivot during the pandemic.



Organizations using centralized benefits software saw significant advantages as a result—they were almost twice as likely to be able to respond quickly to the changes brought about by COVID-19 than those using solutions at a local level.



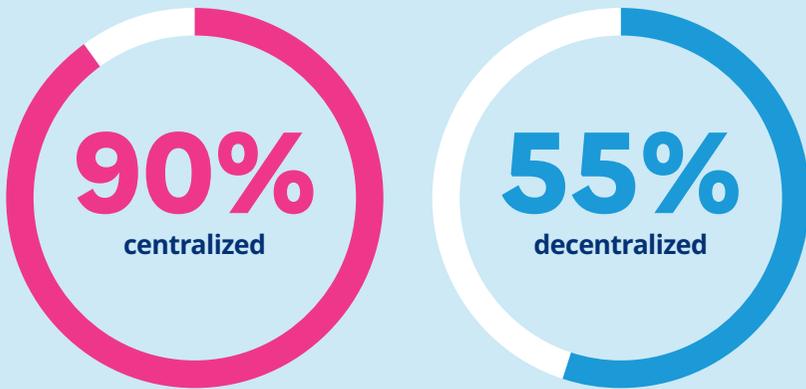
The big win from this investment in digital platforms, is that employers have been able to adapt their benefits offering to deal with a workforce that has often been working remotely.

Those using centralized, specialist systems also have more engaged employees, being twice as likely to exceed their employee engagement score targets (42% vs 20%).



Figure 5.1. Did the software you use to manage, deliver and administer your benefits have a significant role in your ability to respond to change and deliver on your benefits strategy? (Based on what kind of software they use)

Yes—we were able to respond quickly



The COVID-19 pandemic accelerated plans to centralize HR for 67% of organizations.

In addition, organizations are increasingly using a single, consolidated adviser to provide consistency and scalability. The overwhelming majority, 90%, say taking this approach is either very or somewhat likely.

Investment in tech is a priority

The fact that most organizations have adapted so effectively to the seismic shifts in the way their employees work, has definitively shown just how vital the right technology and software platforms are to deliver on organizational goals and provide the benefits employees need.

As a result, technology spend has taken an increasing proportion of the overall HR budget for 76% of organizations.

Figure 5.2. Has the proportion of your overall HR budget going towards tech increased or decreased as a result of the pandemic?





Data and analytics: the missing link

With more spend on employee benefits and technology, more C-suite involvement and more centralization, comes more scrutiny.

This means there has never been a greater need for HR and benefit teams to be able to report and analyze activity effectively.



Yet 20% of organizations are still not using, or ever intend to use, employee data to report on anything.



All other areas of the business use data and analytics—HR needs to step up too and use data more effectively. The key question is, if HR and benefits teams are asked to justify their average spend of 20% of salary on benefits (bearing in mind this is increasing YoY), will they be able to do so, and prove the return on this investment to the board?



There is still work to be done when it comes to reporting on areas that really matter when it comes to meeting organizational goals.

If you don't have the data, how can you generate insights?

Despite employers' high spend on employee benefits, just 53% report on benefit take-up levels (this is largely unchanged from last year's 50%) so are lacking the data to know whether this spend is providing ROI.

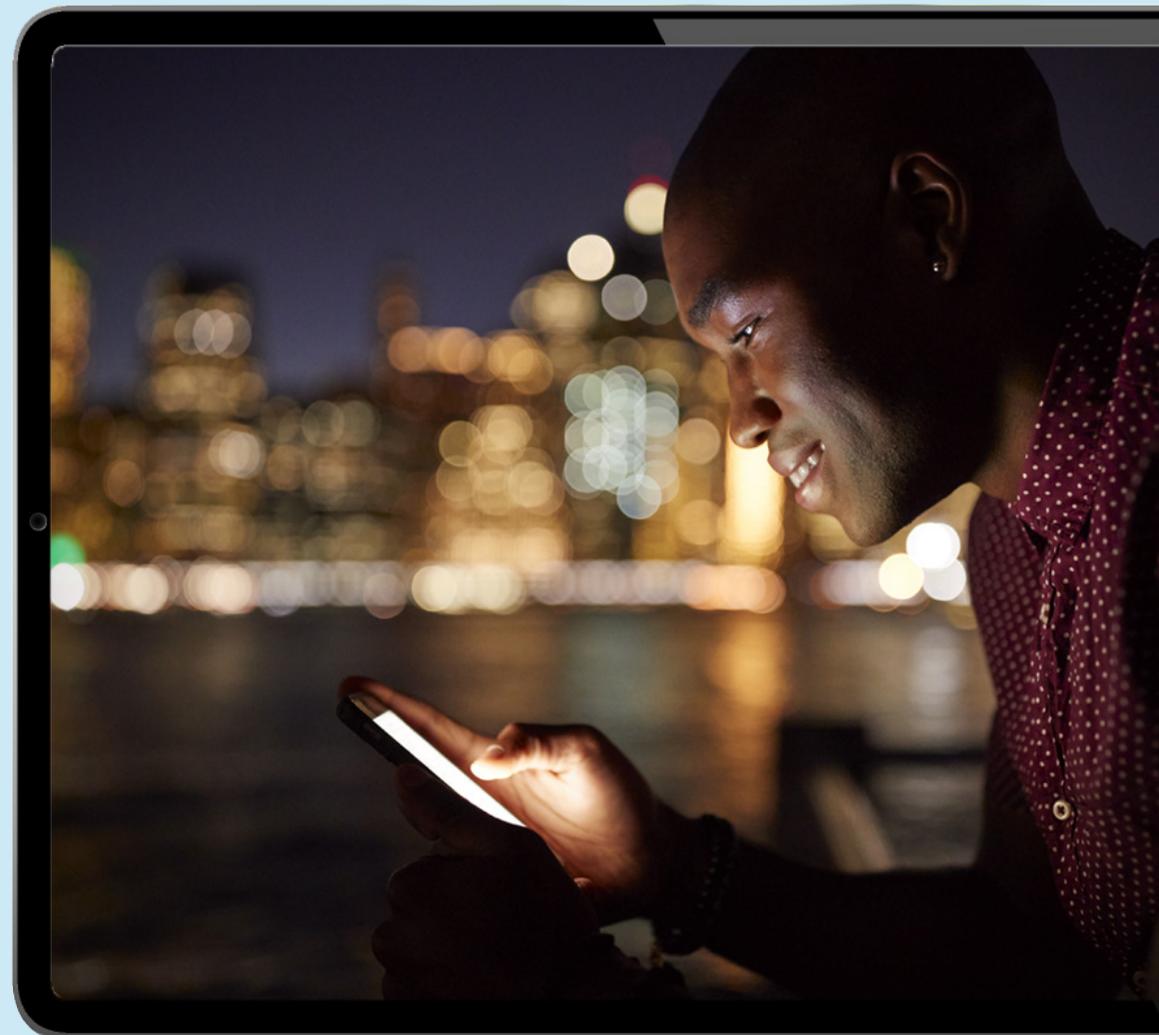
Concerns around the storage and use of employee data are one of the few areas where there is a growing problem—with a 20% increase since last year.

"Too many data sources" is still the second biggest barrier for organizations. Employers are working towards fixing this through consolidating systems, but more needs to be done to secure a single source of truth, and one view of the organization.

Organizations that are still failing to collect and analyze data are missing a huge opportunity for benefits teams to spend smarter, create better employee experiences, and therefore performance.



Whatever your strategy is, how can you **develop, justify and deliver it without analytics?**



Conclusion

In the space of just a year, benefit programs and the teams that deliver, manage and report on them were thrown in the spotlight. Providing a globally-consistent employee experience increased in importance for

organizations yet again, accelerated by the pandemic. Wellbeing was unsurprisingly a focus in terms of both support and increased funding, and investment in benefits and technology increased across the board.

Never before have organizations reported year-on-year changes such as these, with:



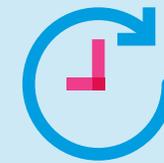
85%
making changes their
benefits offering in
response to the pandemic



80%
reporting a change
in the benefits
employees are using



72%
spending more on
benefits per employee



60%
increasing investment
in employee wellbeing

This is not a short-term, knee-jerk response.



71%
expect these changes to stay in place for more than 12 months.

With an acceleration in their plans for digitization, centralization and consolidation, HR and benefits teams are moving in the right direction. The foundations for a benefits landscape that is as much about wellbeing—social, financial, mental and physical—as pay and pensions is being built. But the pandemic also exposed a number potential pitfalls that organizations need to focus on if they are to stay adaptable in the future.

Benefits delivery

Only 42% of employees can access all their benefits through technology. In an anytime, anywhere, anyplace working world, more investment in consumer-grade delivery of benefits will be essential.

COVID-19 exposed a perception and communication gap. While 89% of organizations say their benefits offering provided the right support during the pandemic only 65% of employees agreed with the same statement. There was a similar mismatch when it came to recognizing that the benefits on offer had changed. With more spend being directed into benefits, 33% of employees say they have no idea how much their benefits are worth. Teams need to ensure that the true value of their efforts are being appreciated.

Consolidation and centralization

The pandemic had a significant impact on HR trends. It highlighted the gap between the have and have nots when it comes to technology, and the strength of their existing strategy to respond to COVID. Those with digital benefits solutions were able to pivot more effectively to meet the challenges of the pandemic, and better support their employees. Multinational organizations have also accelerated their plans to centralize and consolidate their HR operating model, to not only drive efficiencies but to create a more unifying, equitable global employee experience. 90% in fact are likely to consolidate their benefits technology and brokerage/consulting with a single advisor, with 52% looking to do this in the next 12 months.

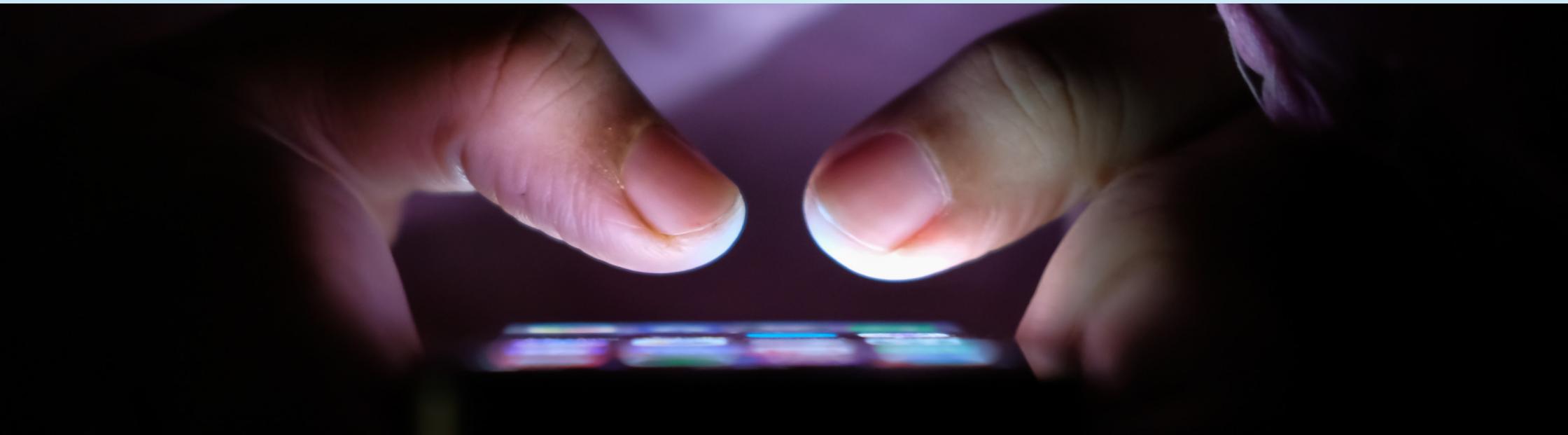
Data analytics

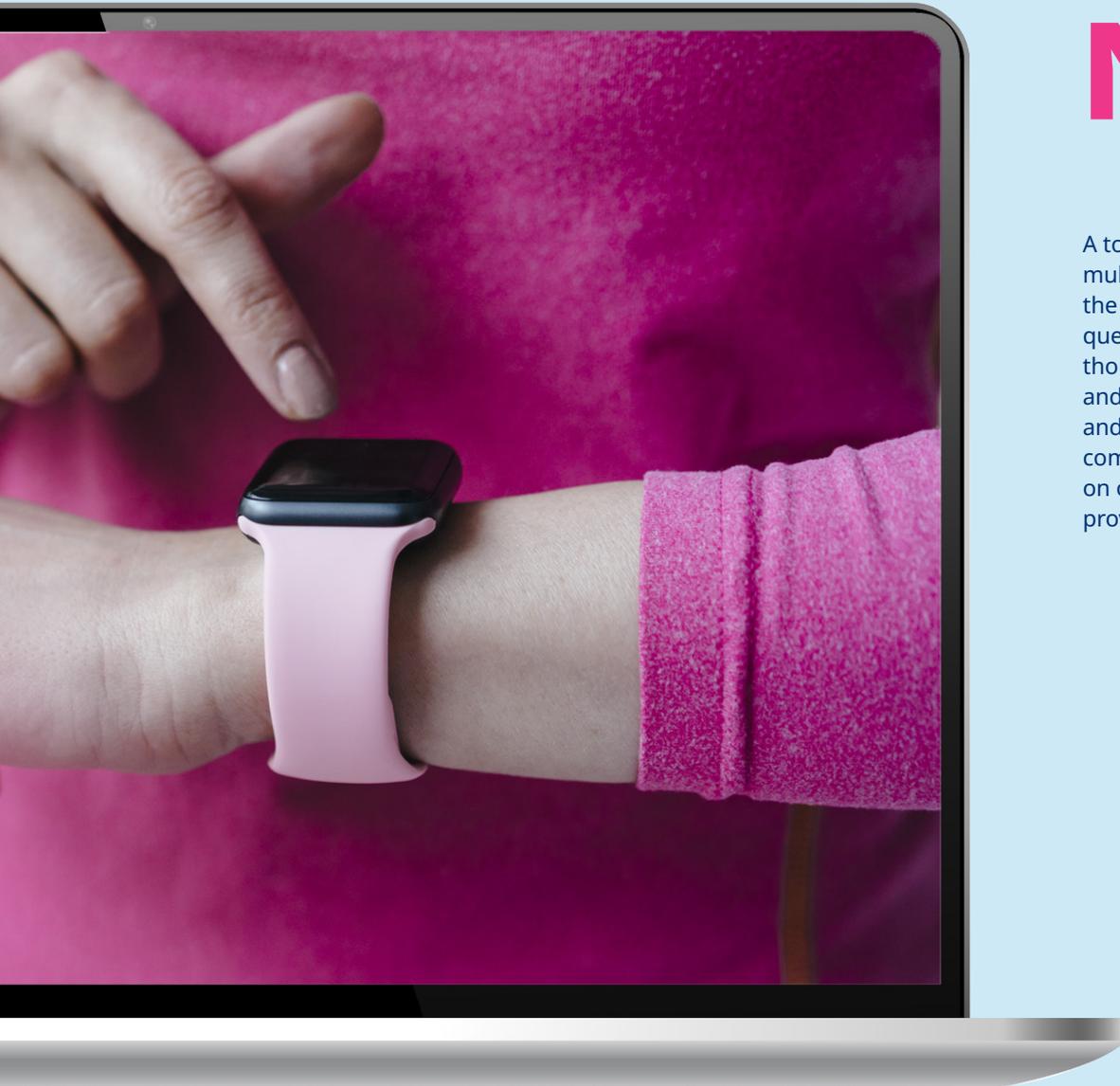
The majority of organizations made changes to their benefits in response to the pandemic. But findings show that they struggled with data sources to give them confidence about what they were changing and why, and what impact it had on their employees. Just 53% report on benefit take-up levels. With organizations planning to funnel more and more money into wellbeing benefits as we move forward, it's concerning that half aren't measuring if they are actually being taken up. If employee wellbeing is really to be a key focus for organizations, they need to look at it as part of a wider, long-term strategy. How will these changes impact spend in 2-5 years' time for example, with demographic change, recruitment drives and changing working habits? Agile reporting is another area many

organizations are grappling with, with nearly 1 in 3 teams taking a week or longer just to answer "What's our highest costing benefit?" There is still some work to do here. How can organizations build an effective, long-term strategy without analytics underpinning it?

Paving the way for post-pandemic success

HR and benefits departments are gearing up for the shifting landscape and making great strides to future-proof their HR and reward strategies. Benefits now firmly have seat at the top table, and have the investment to prove it. The work for HR and reward teams now is to continue to build out engaging, effective and impactful benefits strategies—underpinned by agile tech solutions—to deliver real value to their people.





Methodology

A total of 500 HR and reward professionals across the globe working in multinational organizations with multi-country responsibility took part in the online survey for this research in Q2 2021. Respondents completed a questionnaire on their priorities and strategies for the next 12 months, their thoughts on benefits software, how they are using it today and the processes and procedures they're putting in place to meet their employees' needs now and in a post-COVID world. 2000 employees globally, working in multinational companies took part in an additional survey about the benefits that they have on offer, as well as the workplace technology experience their organization provides them with and the impact of COVID-19.

For the full findings, read the full 'The age of adaptability: A digital-first approach to benefits in a post-pandemic world' 2021/22 report

For further information, please contact your local Mercer Marsh Benefits office.

Mercer Marsh Benefits provides a range of digital solutions to help you manage workforce health and wellbeing, including Darwin:

Mercer Marsh Benefits' employee benefits platform, Darwin provides a consumer-grade experience for your people and automated administration for your business.

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