



## **Recent trends in reward**

Speakers: Jamil Husain (Hewitt) and Mark Hudson (Bank of America)  
Venue: Accenture, 60 Queen Victoria Street, London

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MPF Human Resources committee member, Martin Pexton introduced the session which focussed on an update on reward issues and how this might relate to the panel.

### **Jamil Husain**

Jamil set out the difference between total reward as distinct from pure pay and illustrated the concepts of pay, bonus and benefits, learning and development and the working environment as key areas to focus upon in reward strategy. He pointed out that people often remain with an employer despite being poorly paid as individuals may be content to remain with an employer if learning and development and the working environment is attractive to them. He felt that it is difficult to manage by focussing alone on pay, benefits, learning and development or the working environment and that they have to be managed as a combination to achieve successful retention.

Jamil concluded that many banks have focussed just on pay and benefits. However, it is important to realise that people's expectations differ widely. Whether or not organisations retain people depends on whether we live up to individuals' expectations.

It would appear that mid-level retention is an issue for some of the organisations represented by the panel.

There are five unstoppable trends:

- 1 Smaller workforce with fewer required skills
- 2 An increased global workforce
- 3 A more virtual workforce
- 4 A more diverse workforce
- 5 A more autonomous and empowered workforce

There is a tension between people being encouraged to retire and yet the economy needing more people in the workforce.

45% of organisations are considering outsourcing jobs and organisations are reporting that homeworking will increase from a rate of 60% to 80%. There will be more generations represented in the workforce and yet age discrimination is leading to a record number of claims which creates an employment tension.

It is now easier to find a job than ever before. In Europe, 50% of employees feel engaged with their organisation. The culture of organisations will determine the approach that partnerships adopt and whether to open up the opportunity for more partners or not. Many individuals don't wish to be important in their organisation and it is the work and the social and professional connections that are of greater interest to them.

People's expectations change and they are now worried about earning a large amount of money for later life. People now have the freedom to think about what they want out of life. Therefore, organisations have to delve into what makes people tick, which is difficult because all individuals are different. The organisation's PR has to write and partnerships have to offer a compelling proposition in the right context.

Good people will always leave an organisation if the salary is not right. 80% of top performing companies deny a bonus to poor performers.

Reward challenges are persistent because reward programmes tend to be static. Reward strategy has to be aligned to high impact activities.

### **Mark Hudson**

Mark stated that banks are very different and that total reward models vary. One of the important reward issues is career development. The corporate glue within banks varies as one size tends to fit all. In Barclays' Capital, individuals could tailor their package to their own requirements. In relation to flexible benefits, RBS have introduced an option where individuals take everything as cash and offer no pension.

Flexible benefits are likely to become a wealth platform rather than a benefits programme, but will retain some aspect of paternalism. Introducing flexible benefits can increase employee engagement significantly.

Few companies deliver total compensation in a practical way. The more prominent base pay is as a proportion of total compensation, the less able you are to vary the compensation package. There are some advantages in individuals building up a long-term stake in the organisation rather than focussing on base pay alone.

### **Jamil Husain**

Jamil highlighted the importance of looking at people costs as a proportion of profits and revenue. Reward in investment banking is more team-based where stock is really a way of giving a deferred bonus. The way pay and bonus is determined needs to be considered carefully and affordability has to be balanced against market forces. In banks, shareholders expect to see ratios in relation to reward, which is less common in partnerships.

The key question is whether organisations articulate why they pay a bonus. Communication is the most significant aspect that will determine whether a bonus and reward programme is successful.

The meeting concluded at 9.45am.