



The age of adaptability:

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

benefits that truly benefit



03

Introduction

07

1. Focus on
employee
experience

11

2. Engaging
everyone,
everywhere

23

3. Wellbeing:
the top priority

34

4. Benefits top
the agenda

39

5. Centralization,
consolidation and
consistency

46

**6. Data and
analytics:** the
missing link

54

Conclusion

57

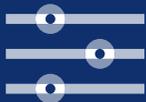
Methodology



Introduction

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

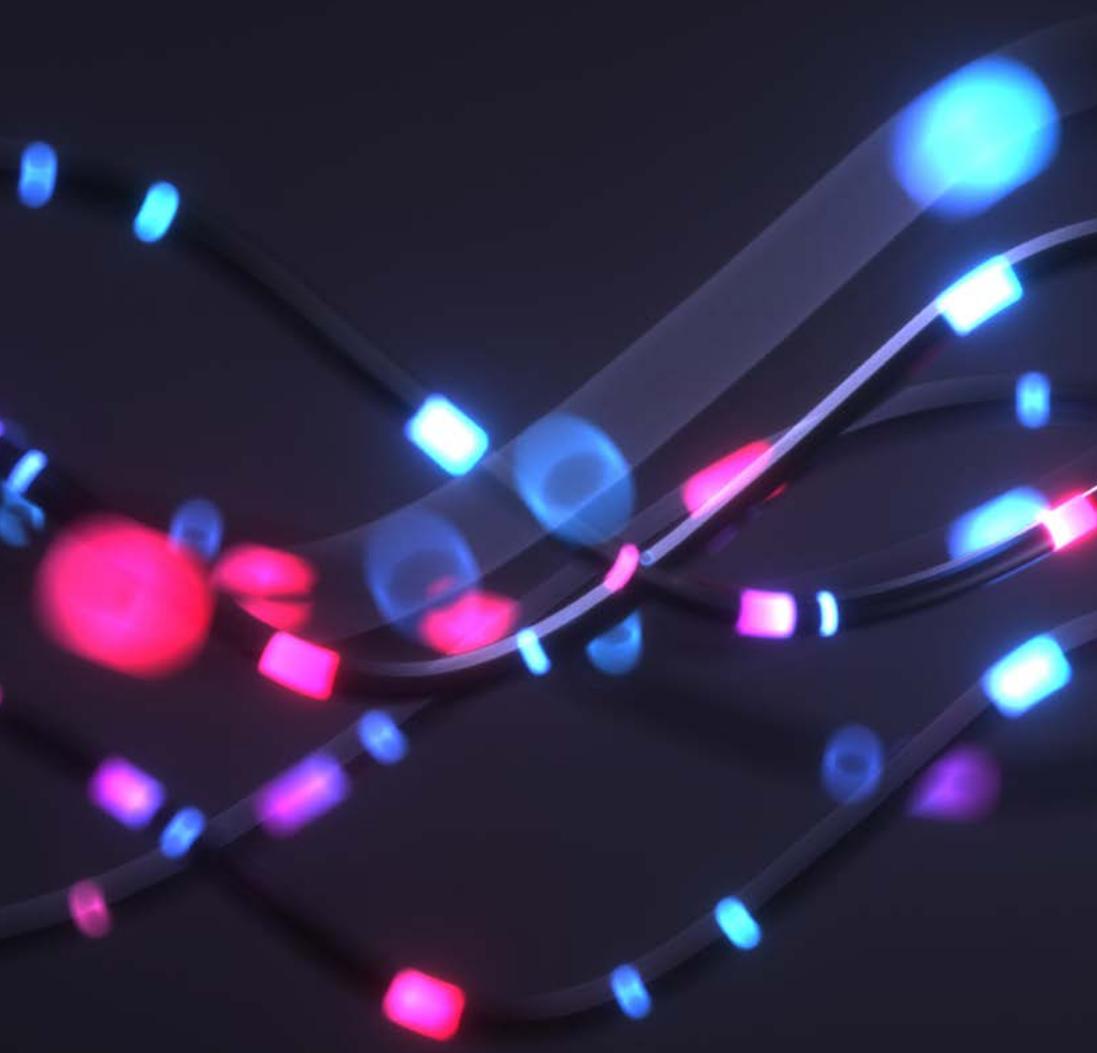
The unprecedented challenge of keeping employees connected, engaged and supported as COVID-19 spread across the globe meant that for the majority of organizations, benefits shot up the corporate agenda. Even before the pandemic, the C-suite was increasingly recognizing the real value of employee benefits 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.



The age of adaptability:

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

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.

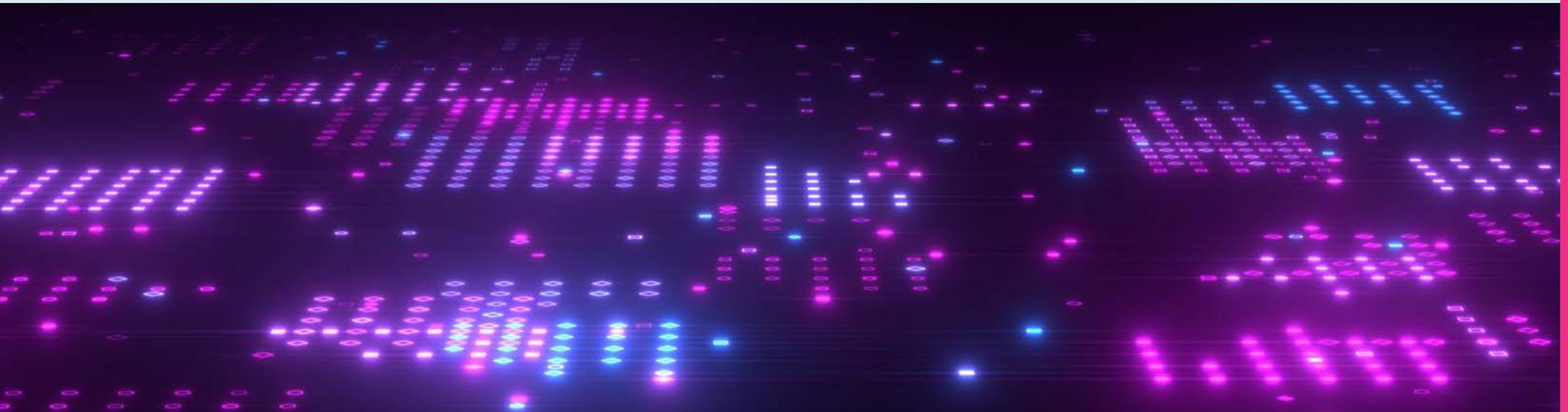


52%

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.

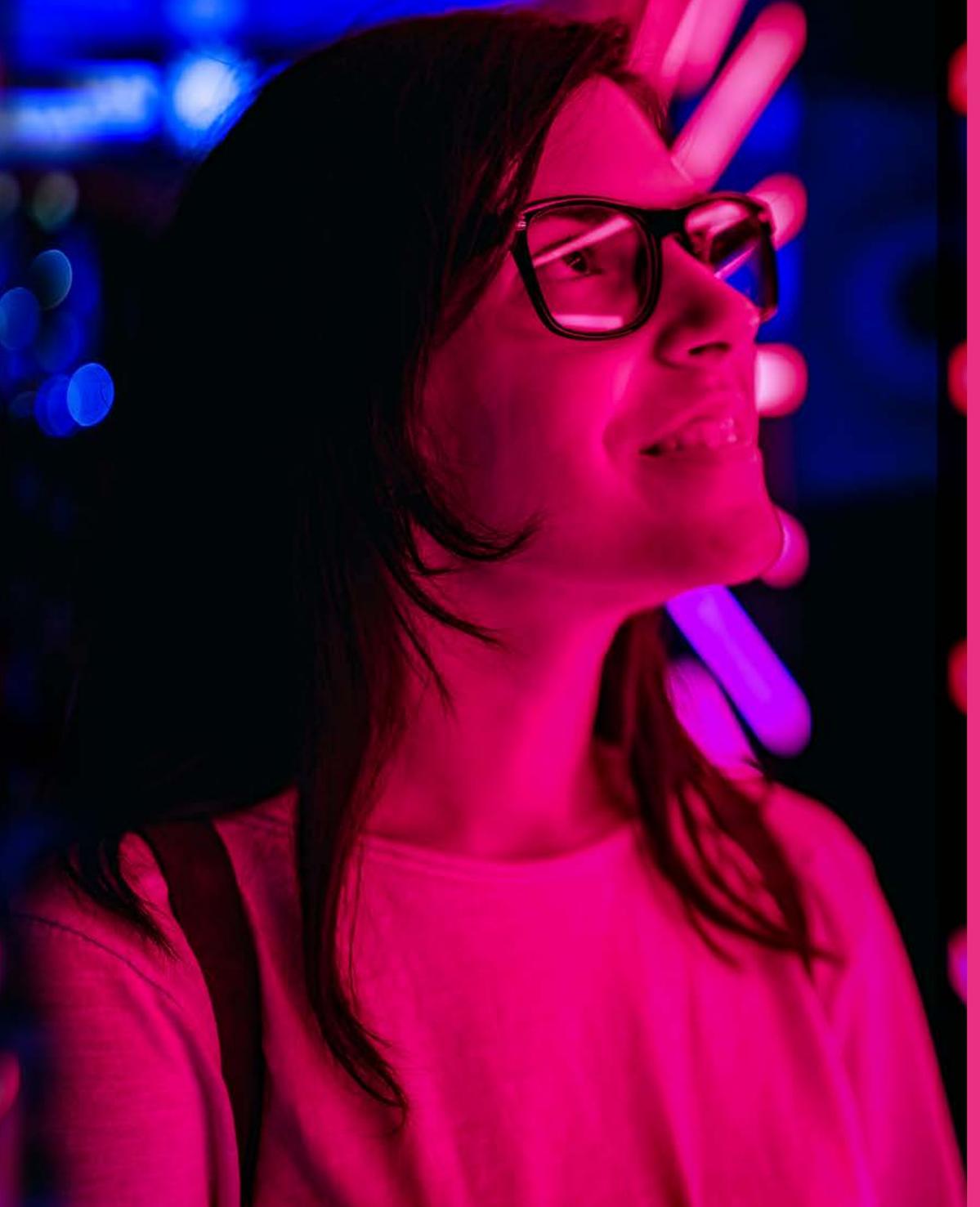
Now that the world has opened up for business again and economies are bouncing back, employers who failed to provide the right levels of support will have to rebuild with a workforce that is less committed to their organization. As a result, they face high employee turnover as well as a rise in mental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





Focus on 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—with working from home (WFH) and flexible working patterns increasingly becoming the norm—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. The pros of providing a globally consistent experience and feeling of community, as part of an employee-centric strategy, is clear.¹

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.

Post-pandemic 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. They are also increasingly delivering on this objective (Fig 1.2) with greater numbers of employees feeling that their employee experience is the same wherever they are based.

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

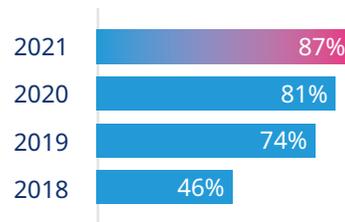
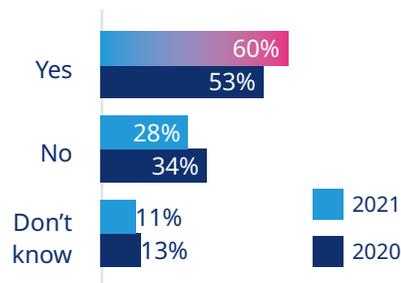


Figure 1.2. Do you feel that the employee experience at your organization is the same wherever you're based?



Despite the pandemic, organizations are delivering

COVID-19 “has triggered the deepest economic recession in nearly a century” is how the Organization for Economic Cooperation and Development (OECD) describes the impact of the global pandemic.²

1. The age of agility: Flexible, adaptable and resilient benefits, Darwin 2020/21

2. Focus on the global economy, the OECD, available at: <https://www.oecd.org/coronavirus/en/themes/global-economy>



The age of adaptability:
A digital-first approach to benefits in a post-pandemic world

Yet, instead of responding by cutting back on employee benefit budgets, more than 7 in 10 organizations are investing more 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 focus is now firmly on employee wellbeing

The need for employees to feel connected and supported by their workplace has led to a “significant” shift in which benefits are now high on the list of priorities.



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



Fortunately, a number of organizations were in a strong position to deliver with previous investment in digitizing their offerings—notably in employee benefits’ software platforms—enabling them to pivot their offering and offer the right support and access to benefits in unprecedented times.

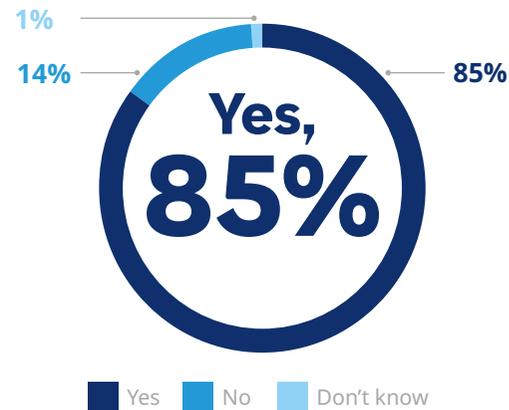
Employees participating in our survey perceive that their employee experience has improved.

In the space of just one year the percentage saying “my organization has a great culture” has risen from 54% to 61% (but only among those employees who are given consumer-grade tech to access their benefits). However, more and more employees now fall into this category, with the percentage saying “my HR technology experience at work is very joined up” rising from 52% to 61% in the space of just one year—and that’s during a pandemic.

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 1.3. 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?



The age of adaptability:

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

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.

The pressure is on to spend smarter

Post-pandemic there are plans by the majority of organizations to increase spending on HR and benefits technology (76% of organizations, Fig 5.8).

This should enable HR and benefit teams to spend smarter—although many still lack the data and the analytics capabilities to measure the effectiveness of this increased spend, or the impact of the wellbeing initiatives they have introduced.





**Engaging
everyone,
everywhere**

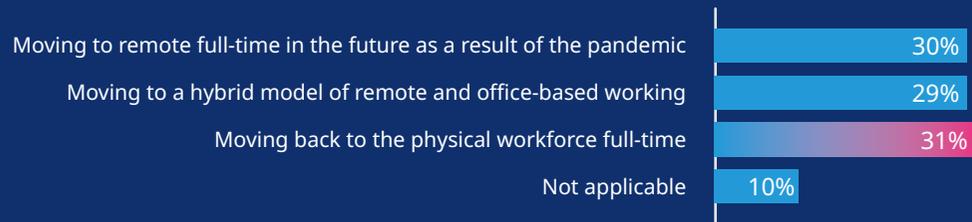


The challenge of catering to a disparate workforce

The global pandemic has led to an unparalleled disruption of the global workforce.

Employers are anticipating that nearly 1 in 3 of their employees will move to remote working full-time post-COVID-19—almost the same as the number of employees expected to move back to the physical workspace (Fig 2.1)

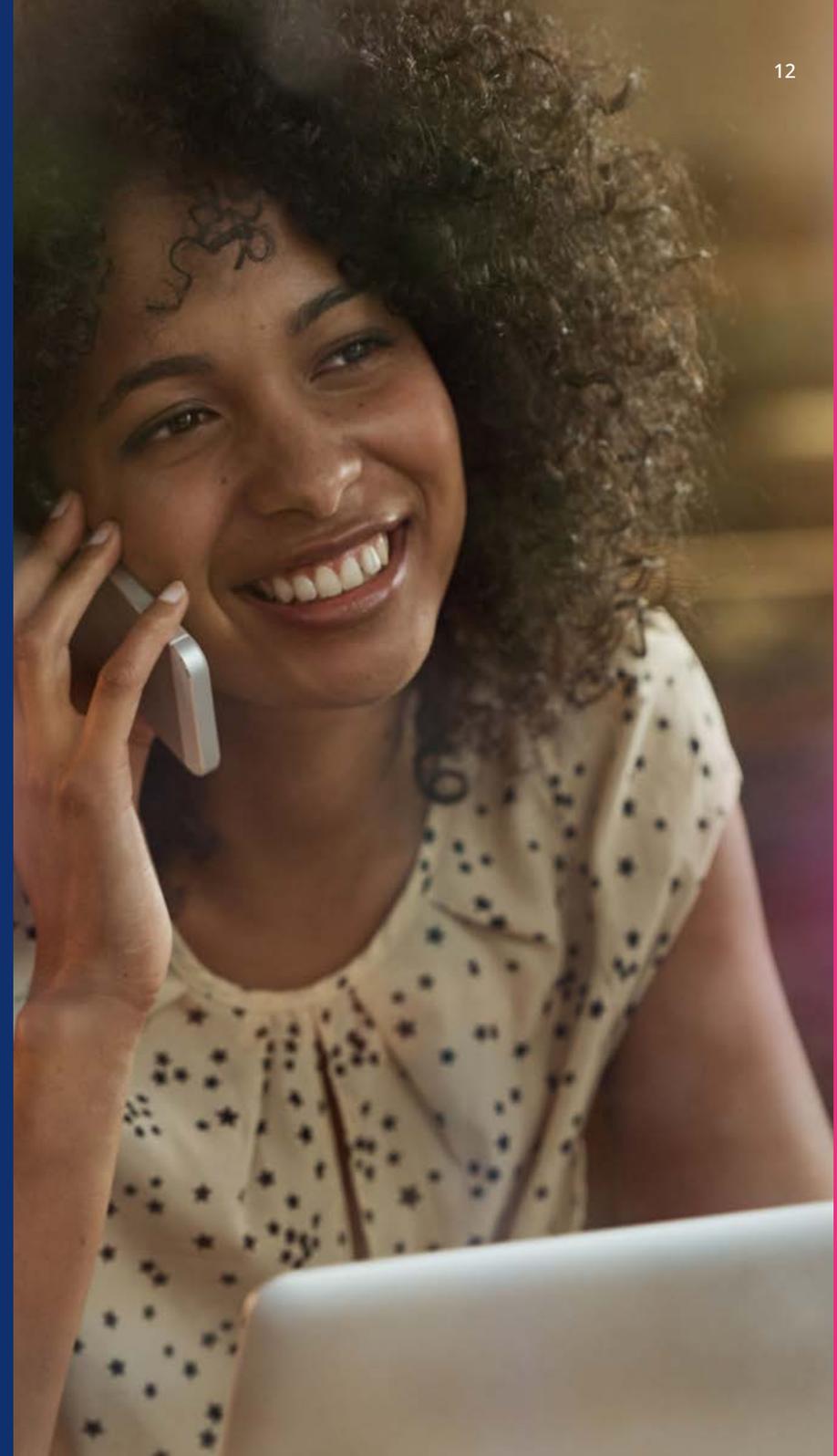
Figure 2.1. What percentage of your workforce do you anticipate:



This represents a seismic shift. Pre-pandemic only 4% of those surveyed were working permanently at home. Today that has risen tenfold to 55%. Even if the number settles at 30% working from home (WFH) and 30% adopting a flexible working pattern, this presents a major challenge for delivering and managing benefits.

With no one-size-fits-all approach to where and how we work, how do organizations meet their top priority objective of a globally-consistent employee experience?

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.



The need to feel connected

With more remote working, many workplaces closed or half-empty for month after month and employees often furloughed and fearful of the future, the last 18 months have been full of uncertainty.

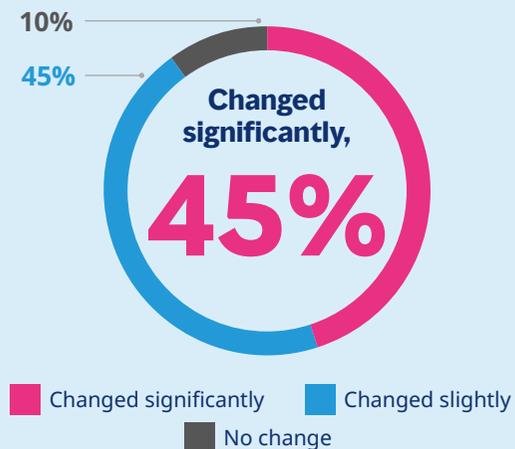
Many employers have responded to their employees' need to feel connected and supported by their employers at this time of great uncertainty.

Half of HR and employee benefits professionals say that the COVID-19 pandemic has "significantly impacted" their priorities, with a further 44% saying that it had a "slight impact" (Fig 2.2).

Figure 2.2.



Figure 2.3. Did you change your benefits package in response to the COVID-19 pandemic?



When it comes to changing their benefits packages in response to COVID-19, the percentages are remarkably similar to those saying the pandemic impacted their priorities.

And for many organizations, it wasn't wholesale change. Almost half reported a "slight impact" on priorities and a "slight change" to benefits.

This is not an indication that they have failed to adapt to the challenges posed by COVID-19—or that they failed to recognize that they needed more than a "slight" change as a result.

Rather, we had already seen increased focus from organizations on employee health and wellbeing before the pandemic. As a result—as these employers see it—they needed to shift emphasis rather than undertake an extensive rethinking of their employee benefits package. This could also have been as a result of other demands on resource, or because many still don't have robust systems in place to accurately and reliably report on change. However, we expect that once the environment has stabilized, more meaningful changes will be needed to address workforce transformation. What people value has shifted (see our [Health on Demand 2021](#) research) and so organizations need to be sure they are fully prepared to meet the future—whatever it may look like.(Fig 2.4).

Even when a rethink was required, the majority changes made as a result of COVID-19 have been to value-add, specialized, benefits rather than their core offering.

Figure 2.4. Were these changes to your core offering (e.g., pensions and medical insurance) or to value-add benefits such as wellbeing apps, wearables, reimbursement pots?

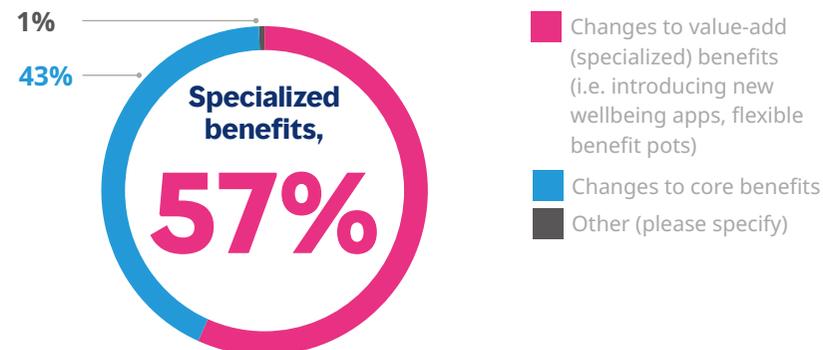


Figure 2.5. How long do you expect these changes to stay in place?

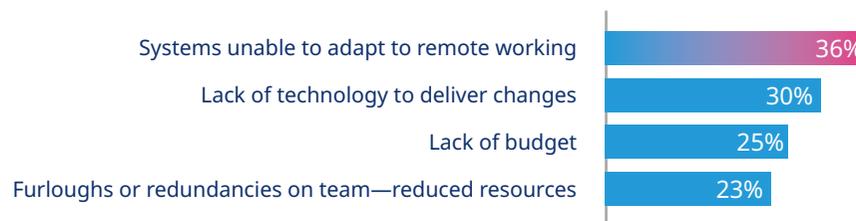


And, these changes look set to stick around, rather than being a knee-jerk reaction to a crisis, with 71% of organizations expecting the recent changes to remain for more than 12 months (Fig. 2.5)

Adapting hasn't been plain sailing

Along with other employees, HR and benefits teams were often faced with mandatory working from home policies and had to adapt at pace during the pandemic. 3 in 10 lacked the technology to deliver changes, 36% found their systems were unable to adapt to change, and a quarter found that their main barrier to change was a lack of budget (Fig 2.6).

Figure 2.6. What were the main barriers to making any changes? (Tick all that apply)

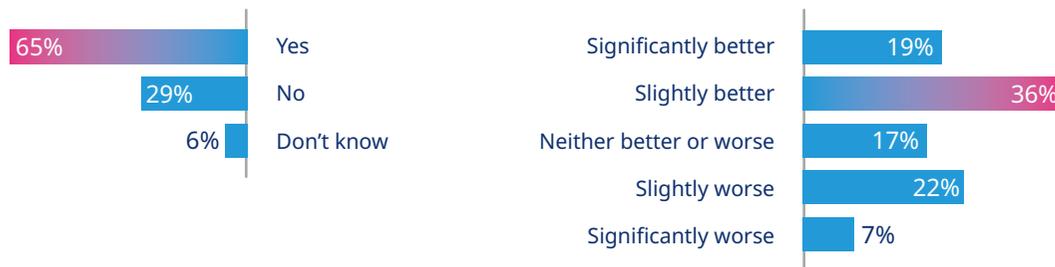


So, are they getting the results they want?

With half of employers saying there has been a “significant” shift in their priorities when it comes to employee benefits, are they getting the desired results?

Well, their employees have noticed a change (Fig 2.7) and in most cases they feel their employee experience has improved.

Figure 2.7. Do you feel the employee experience at your organization changed as a result of the pandemic



While 55% of employees felt their experience improved, nearly 3 in 10 employees felt that the employee experience at their organization was worse as a result of the pandemic. Part of this can be explained by a lack of—or poor—technology.

Figure 2.8.



Of this same group of employees, who believed their employee experience was worse as a result of the pandemic, only half could agree that the benefits they are offered are relevant to them.

So in addition to a lack of technology, a lack of data—and data analytics—on the part of employers means employees' benefits are not always relevant for them. This points to not only a significant waste of investment, but also a huge missed opportunity to engage better with employees.

Employers are over-estimating the positives

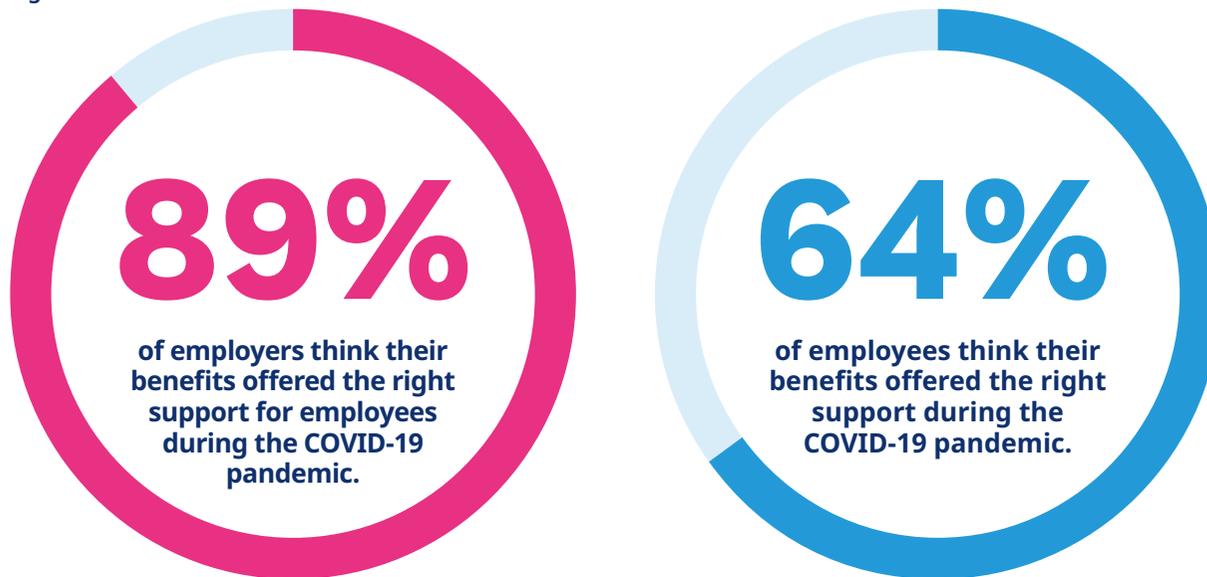
When employees and employers are asked the same question, there is a clear disconnect.

While 89% of organizations say their benefits offered the right support during the pandemic, only 64% of employees agreed with the same statement.

So, in addition to better benefits delivery, better communication is needed.

More work also needs to be done in terms of data capture and analysis to determine what is causing this misalignment (see Chapter 6).

Figure 2.9.



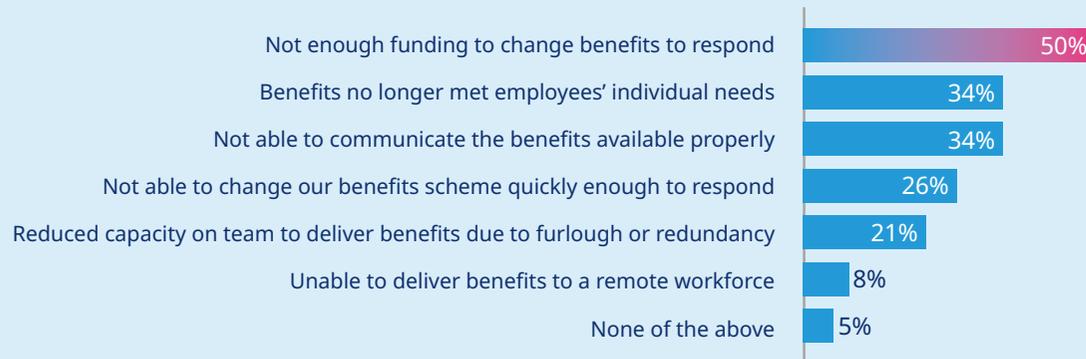
Benefits on the whole have improved, but some organizations are lagging

While 2 in 3 employees say their experience has changed, of these just over half said that it had improved—a significant 35% could not agree that their benefits offered the right support during the COVID-19 pandemic.

So, what's stopping these organizations from effectively supporting their employees?

Three key barriers exist: funding, an inability to change to meet employee needs and a lack of communication (fig 2.10).

Figure 2.10. Why don't you think your benefits offered the right support for your employees during the COVID-19 pandemic? (Select all that apply)

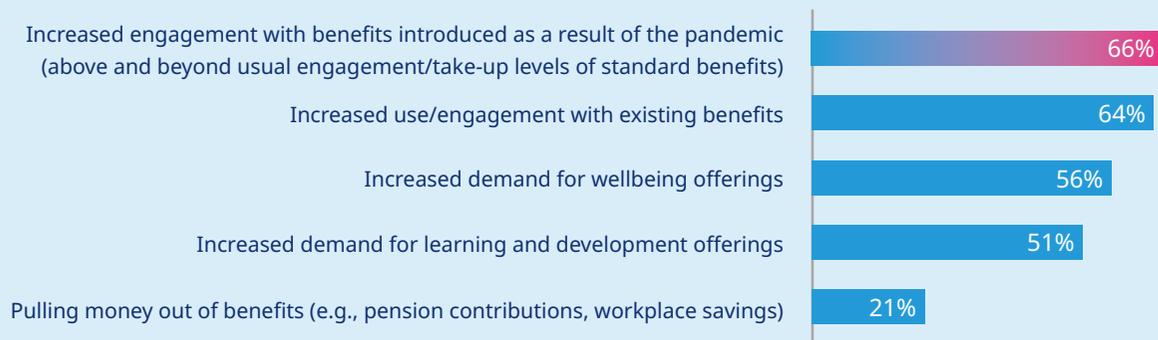


These organizations are missing out on significant ROI from making the right changes and communicating them effectively.

The pandemic proved the vital role employee benefits play in engagement

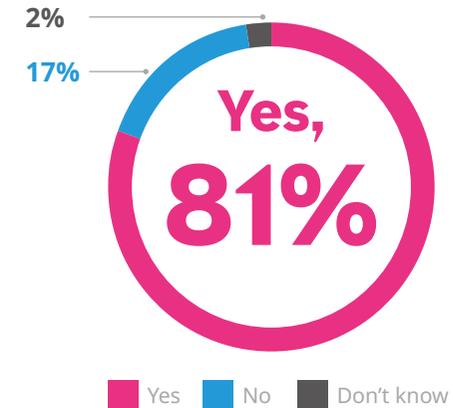
During the pandemic employees became even more engaged with benefits – with most employers reporting changes in the benefits their employees are using (Figs 2.11 and 2.12). This highlighted just how vital employee benefits are in keeping employees connected to their employer, especially in uncertain times

Figure 2.11. What changes have you seen? (Select all that apply)



3. Mercer March Benefits, [Health on Demand: delivering the benefits employees want now](#), 2021, page 8.

Figure 2.12. Have you seen changes in the benefits your employees are using?



The essential role benefits play in supporting employees—and boosting employee engagement—was highlighted in our recent [Health on Demand 2021](#) research which found that ‘supportive employers boost resilience and drive commitment’.³ When organizations support their employees effectively, those employees are more likely to be engaged and feel that their employer cares (Fig 2.13).

Figure 2.13. Employer support matters. During the pandemic, employers proved they could make a meaningful difference.

Of employees who reported receiving **good** or **very good** support during the pandemic

Of employees who reported receiving **poor** or **fair** support during the pandemic



Benefit delivery still needs work

With nearly every other aspect of life available 24/7 via technology, how do benefits measure up?

When asked if their HR technology experience at work is very joined up (i.e. they don't have to switch between multiple systems or platforms to complete a task, such as booking time off, accessing employer-provided benefits and wellbeing apps), only 6 in 10 employees agree

Figure 2.14.

My HR technology experience at work is very joined up:



The number that agree and strongly agree has increased by 17% since the start of 2019, as organizations began their move towards centralization and consolidation.

A similar number say they were provided with the right tech to access these benefits.

Fig 2.15. Does your employer provide you with technology to access and manage your employer-provided benefits (above your wage or salary, for example pensions, gym membership, annual leave, health insurance, etc.)?



This has increased by 54% since the start of 2019, as more organizations look to tech to combat the issues brought about by the pandemic.

Fig 2.16. Do you feel you get a 'consumer-grade experience' from the technology you use to access and manage your employer-provided benefits?

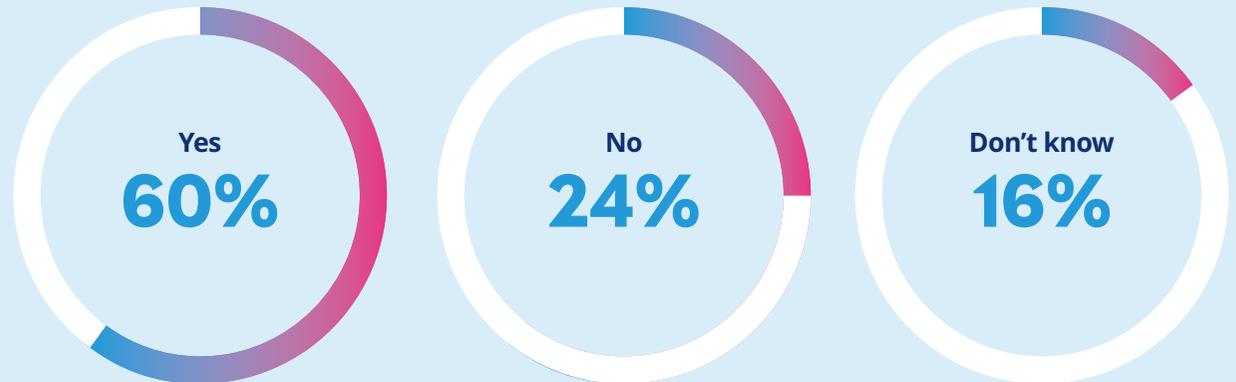
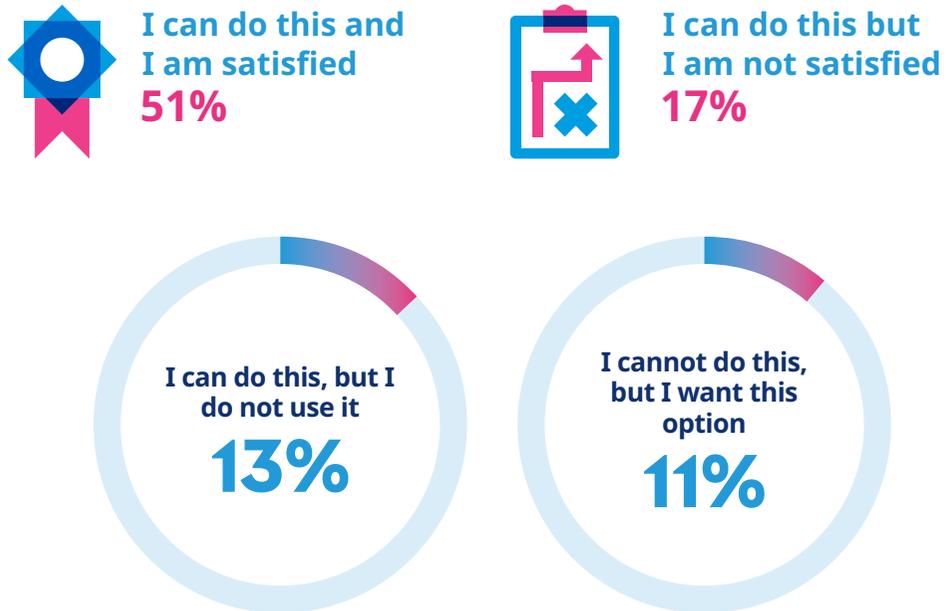
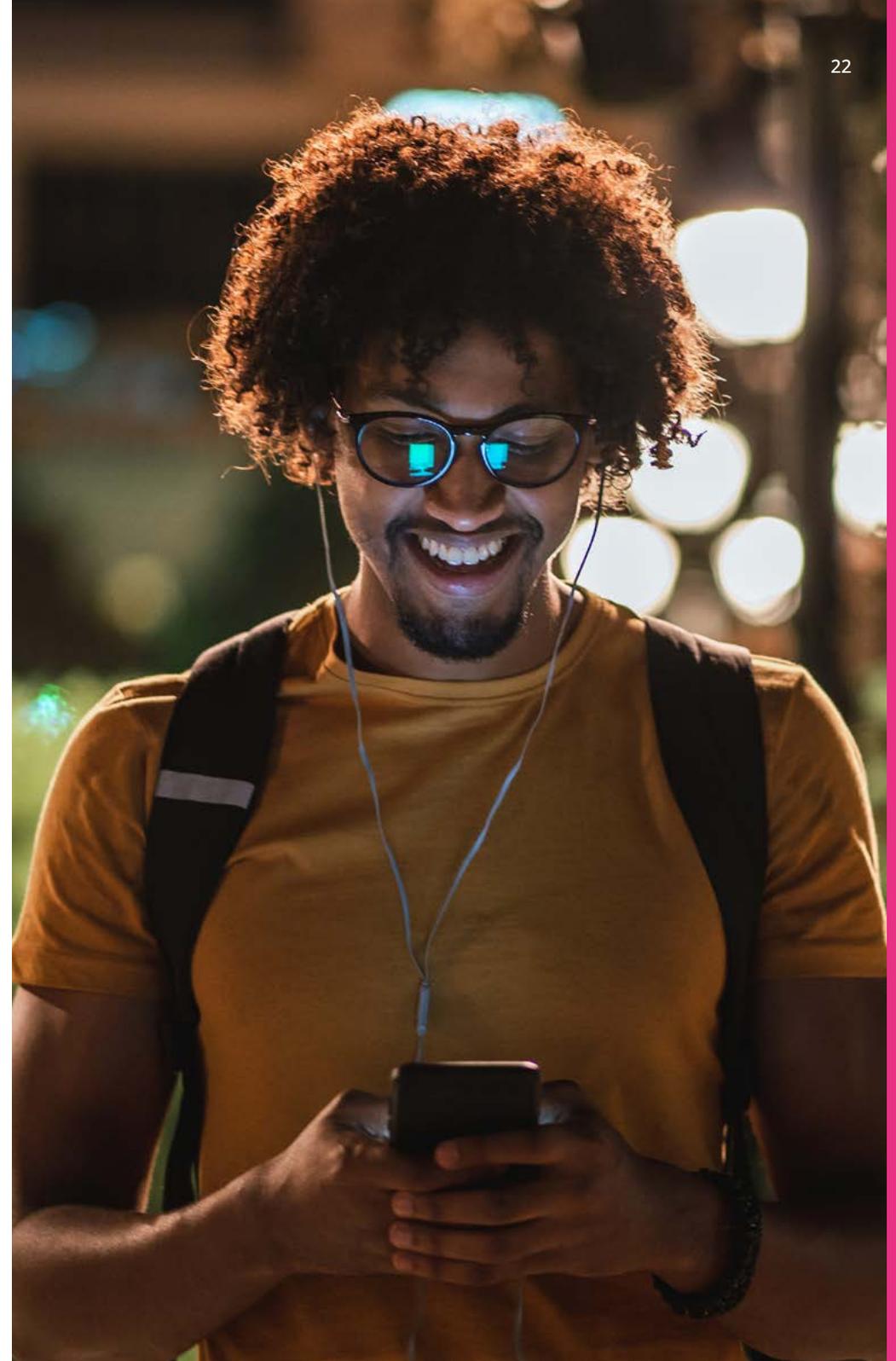


Fig 2.17. Can you access and manage your employer-provided benefits in one place on your computer through a software platform (i.e. don't have to use a variety of different systems, apps or methods to access—it is all available through one login)



Despite the clear 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.





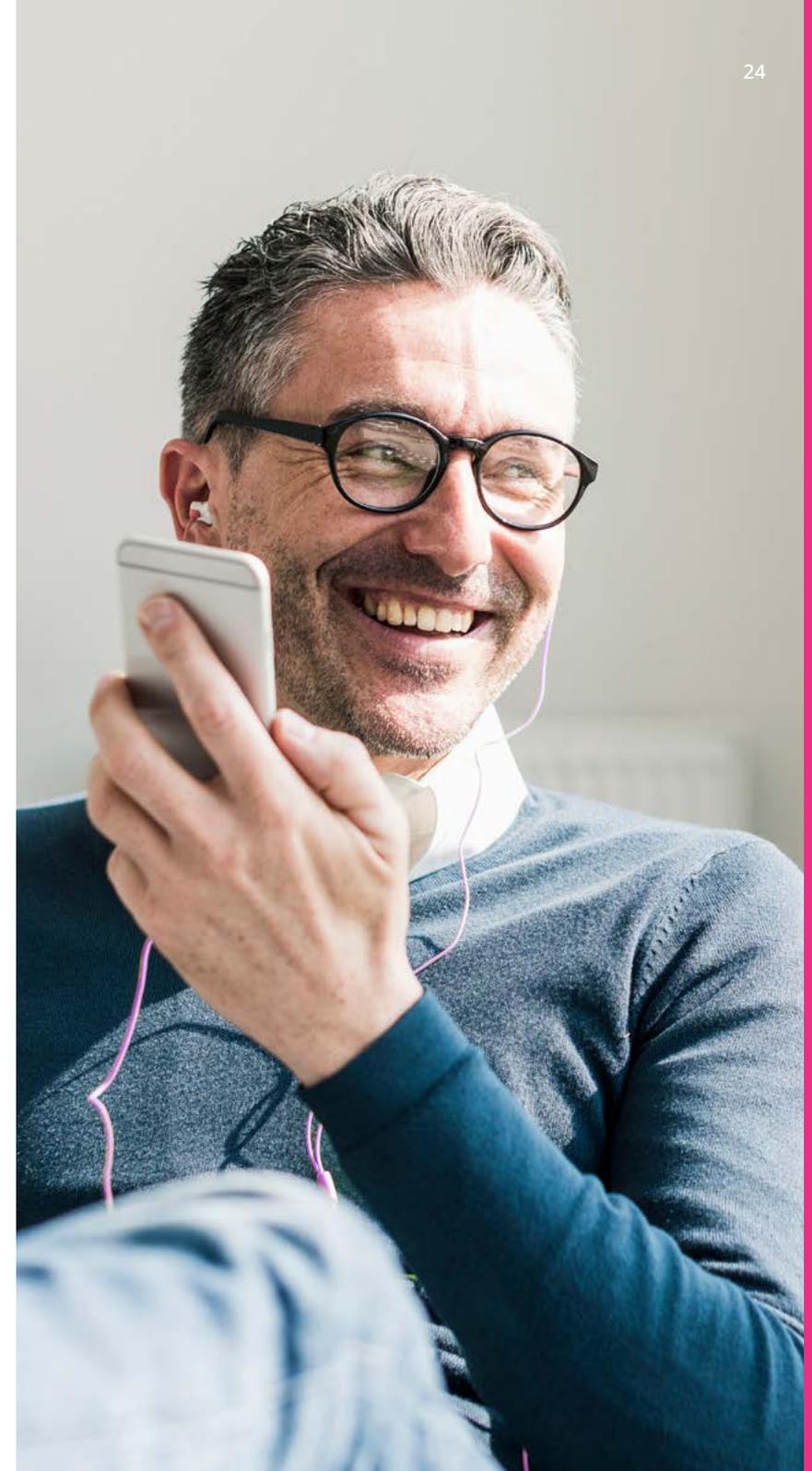
Wellbeing: the top priority



Wellbeing support increases

There has been an unprecedented shift towards supporting employees with their health and wellbeing. 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.

Figure 3.1. What long-term impacts do you foresee the COVID-19 pandemic having on your benefits scheme? (Tick all that apply)



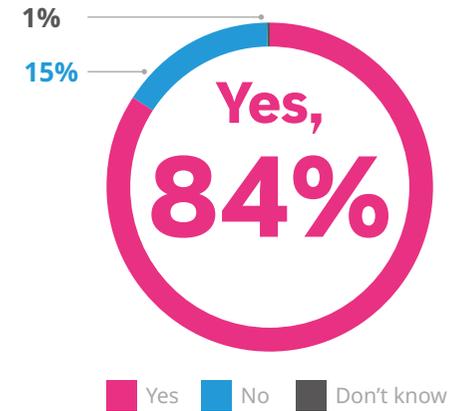
The focus on employee wellbeing is not in isolation, but is part of a wide range of support in areas such as medical insurance and benefits to help those working from home—along with an increased spend on benefits—all of which have helped to support employees during the pandemic.

However, this investment is not always appreciated

Figure 3.2



Figure 3.3. Did you introduce new wellbeing benefits for employees as a direct result of the COVID-19 pandemic?



This disconnect—between employees' perception of benefits and the changes their employers have made—means that employers are often missing out on the opportunity to build engagement and loyalty capital with their employees. After all, if they do not realize that their employer is investing more in their wellbeing, how can they appreciate these efforts? More investment in communication is needed.

The age of adaptability:
A digital-first approach to benefits in a post-pandemic world

Figure 3.4. The biggest changes employees saw to their benefits:



Social wellbeing benefits have been key to connecting employees at a time when many may feel isolated because of remote working, furlough and repeated lockdowns. Social connections can increase motivation and improve sense of self.⁴ This is one area where many employers adapted quickly, whether that was the introduction of regular Zoom gatherings or socially-distanced walks to help foster deeper human connections.

Being able to access this social wellbeing support through digital platforms has been vital. As such this investment is “highly valued” (Fig 3.5).

Employers can facilitate increased connectivity. Almost half of all employees (46%) reported they found, workplace communal spaces for innovating and socializing and virtual support groups for those who are feeling lonely and isolated highly or extremely valuable. 42% said they found employer-based digital/social platforms to support social engagement of high value.⁵

4 Walton GM, et al. 'Mere belonging: The power of social connections,' Journal of Personality and Social Psychology. Volume 102 Issue 3 (2012), p. 513.
5 Mercer March Benefits, 'Health on Demand: delivering the benefits employees want now', 2021, page 32.

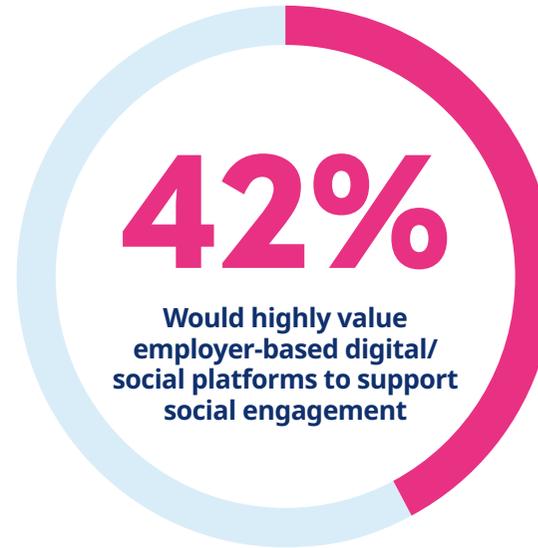
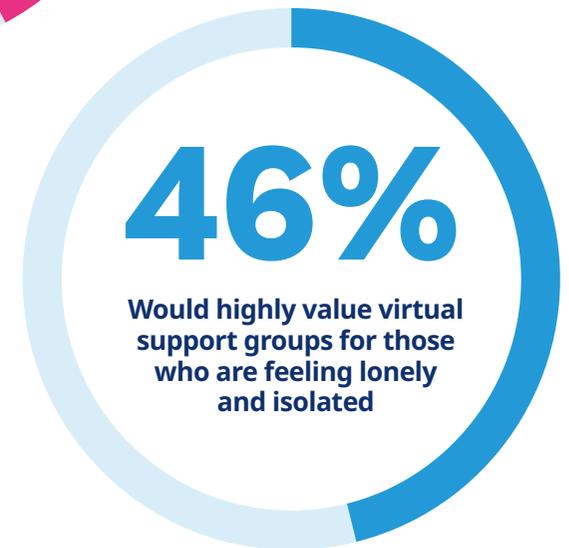


Figure 3.5. Employees are demanding a connection

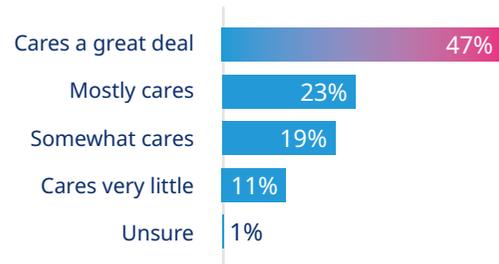


This need for on-demand, personalized and digitally-available benefits is reflected in other areas such as access to healthcare.

Even so, organizations are seen as caring

While employees may not always notice that changes have been made to their benefits offering—or appreciate the investments made by their employer—they still believe that on the whole their company cares about their wellbeing.

Figure 3.6. We asked employees, how much do you feel that your company cares about the health and wellbeing of its employees generally?

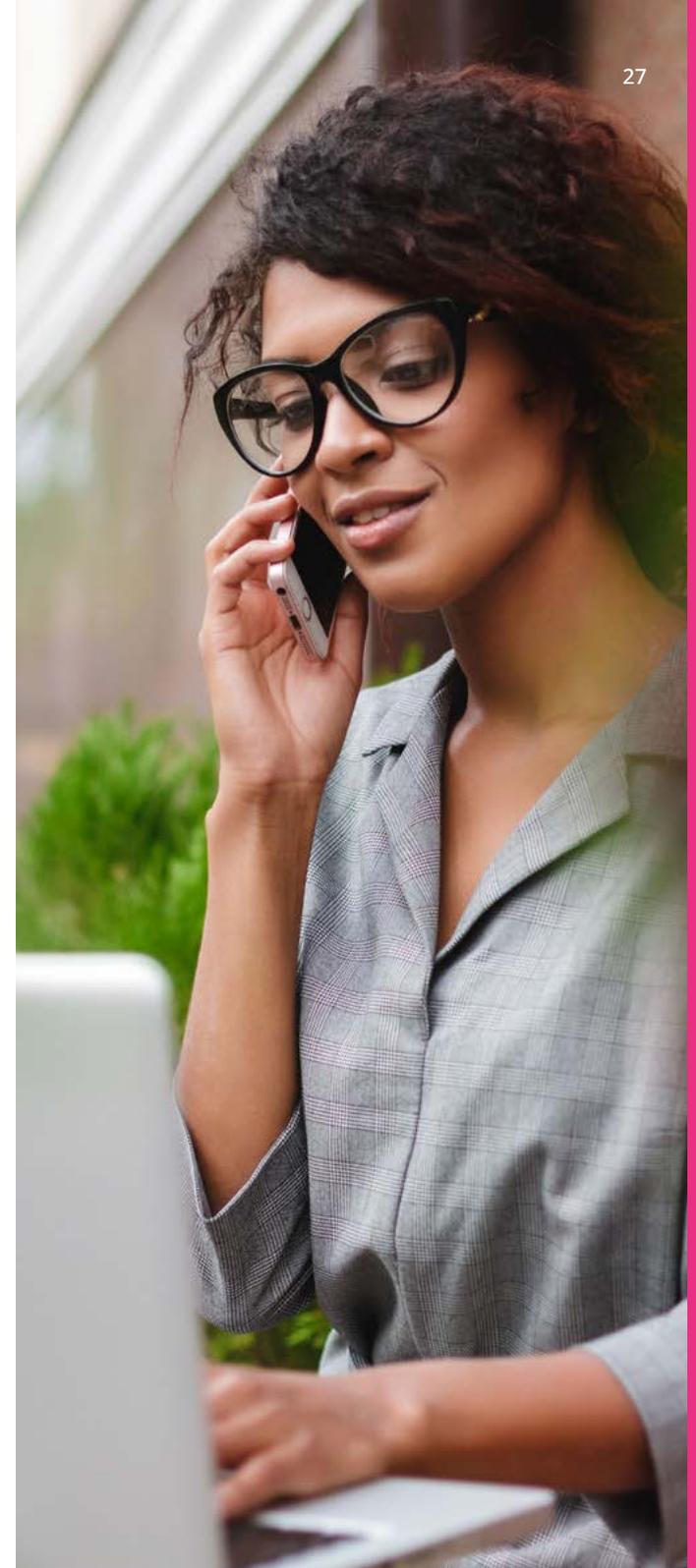
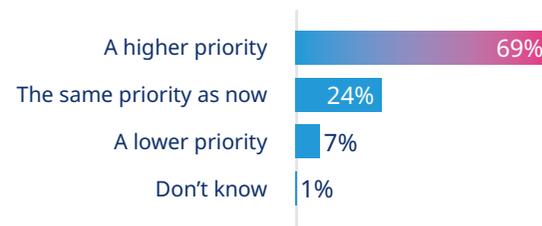


The role of employers as wellbeing providers is here to stay

This shift is not just a short-response to the pandemic. It is here to stay (Fig 3.7).

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 3.7. 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?'



Digital is delivering the desired results

With increased hybrid and home working, how do employers deliver much-needed health and wellbeing benefits?

As with wellbeing benefits, investment in HR and benefits tech was already being made pre-pandemic. However, this growth is set to accelerate as a result of changes to the way many employees are working.

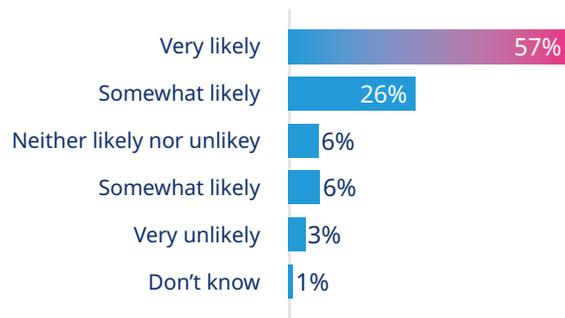
One area that is leading the drive to digital, is health and wellbeing with 84% of organizations intending to either keep using telemedicine post-pandemic, or using it more. Fig 3.8

Figure 3.8. Telemedicine by the numbers: Employees by region who plan to use telemedicine the same or more than during the pandemic (%)⁶



6 Mercer March Benefits, 'Health on Demand: delivering the benefits employees want now', 2021, page 20.

Figure 3.9. How likely is your company to invest more than it does today in digital health for employees in the next 5 years?



Digital delivery and flexibility: not there yet for hybrid workers

With the shift to home working during the pandemic, wellbeing also moved out of the office.

However, there is one quick win that many employers seem to have overlooked. Despite vast investments in workplace environments, very little has been spent in investing in the home-workplace environment with only 1 in 4 benefiting from this (although 36% of organizations do say they have increased investment in benefits to support home working).

Figure 3.10

When it comes to flexibility:



I was able to use a set pot of money for whatever suited my needs.

Just 19% of employees



I was offered increased support for home working: i.e. home office equipment, furniture, etc.

Just 25% of employees



Why are office-based benefits still eating up budgets?

Despite the pandemic, employers are still offering a wide range of benefits that are linked to the workplace.

Some might have become almost obsolete during the pandemic—for example, gym memberships or cinema tickets.

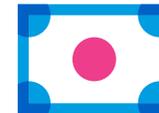
With around 20% of employee remuneration made up of employee benefits, streamlining these would have been a way to trim costs with little impact on the employee experience.

Figure 3.11



**My organization cancelled
commute-based benefits**

Just 16%

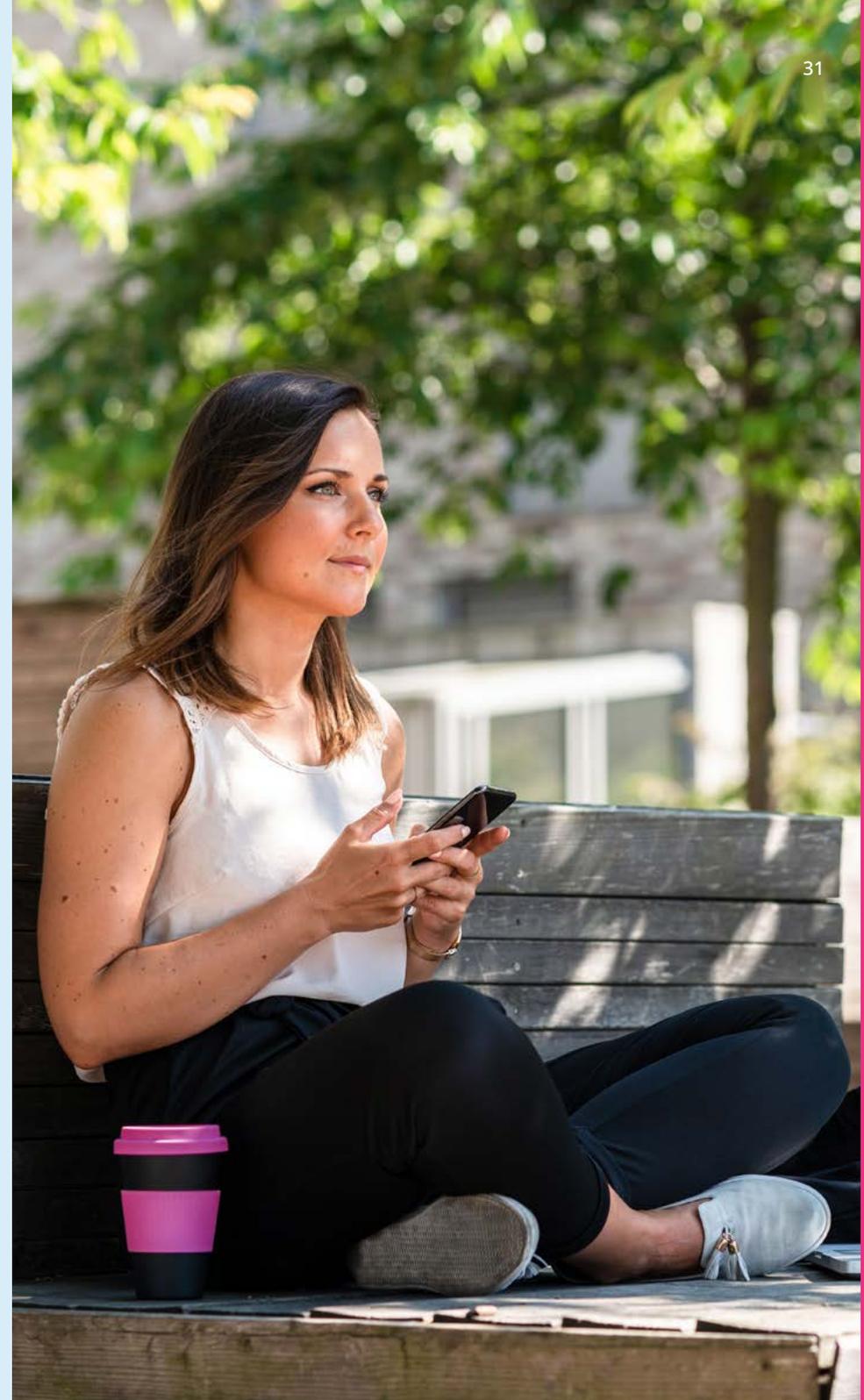


**I cancelled commute-based benefits
(such as ticket loans for public transport,
company car provision, etc.)**

Just 11%

Asking employees about how they feel about their organization, and its culture, yield similar results.

Figure 3.12



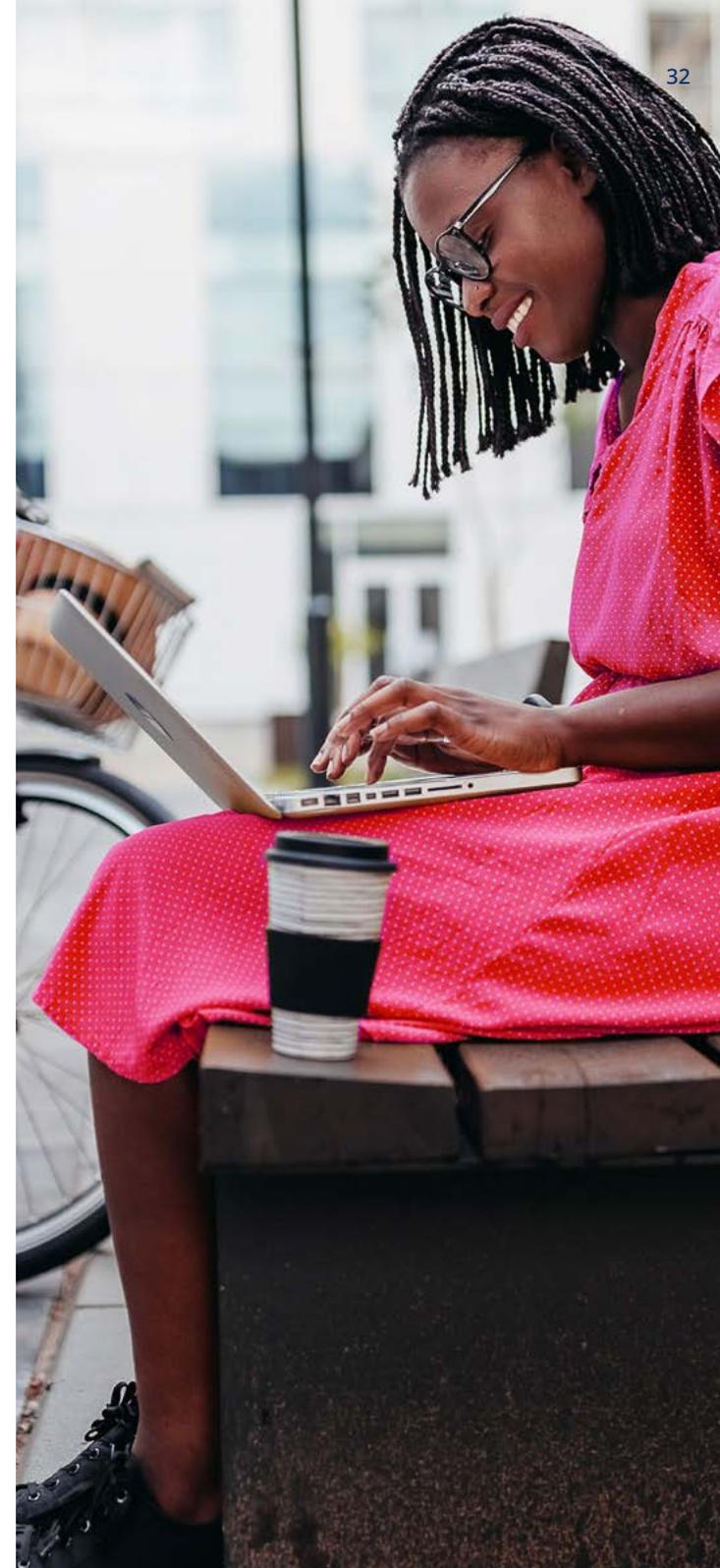
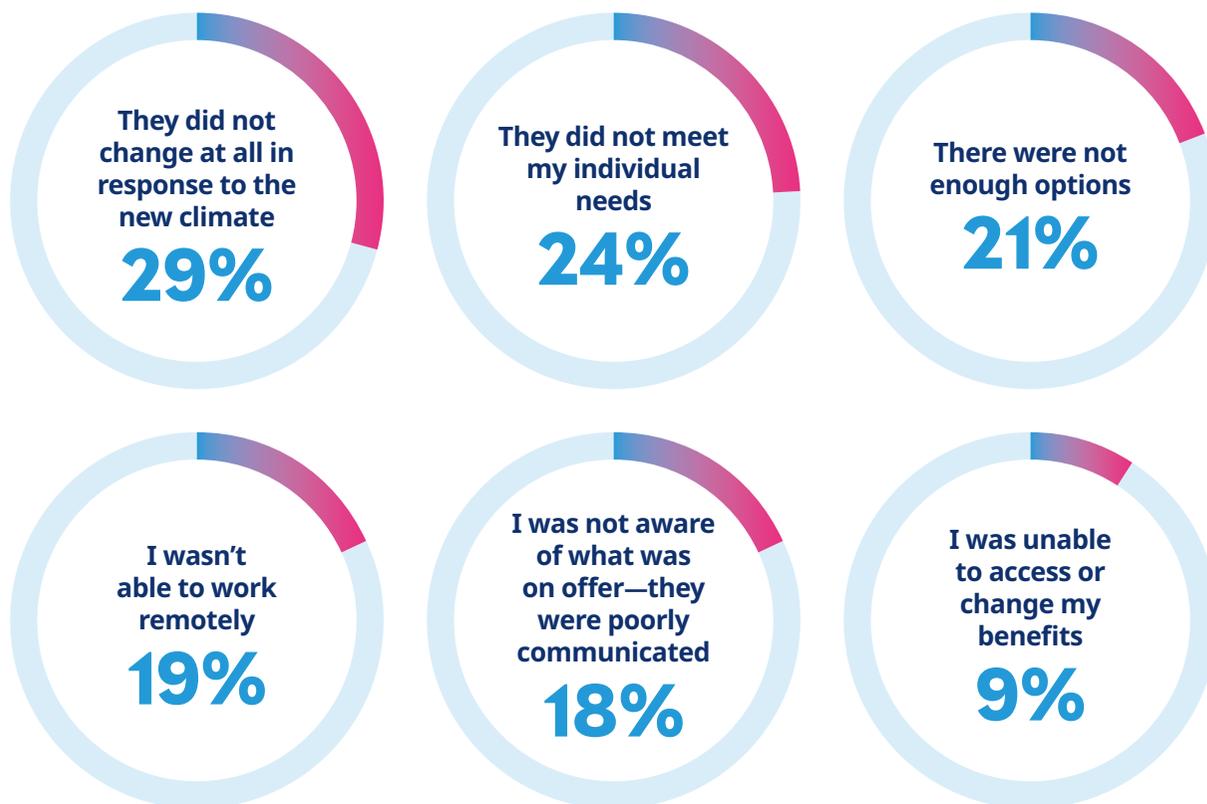
Where are some organizations going wrong?

Despite the largely positive findings, a very significant 1 in 4 say their organization did not offer benefits that provided them with the right support during the pandemic.

So where are they going wrong?

Of those asked why benefits did not provide the right support, the main reasons were:

Figure 3.13



So, the main failings are an inability to flex and adapt—particularly to the new climate and a lack of communication and choice. This is a recurring theme for a significant minority, who perhaps lack the data and analytics capabilities to support decision making when changing benefits or communicating them to employees.

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.

Figure 3.14



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.

Figure 3.15



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



Benefits top the agenda

Investment increases after benefits prove their value during the pandemic

With entire sectors effectively closed for months on end as a result of the pandemic and millions of employees on furlough or made redundant, it might have been expected that benefits spend would have decreased substantially as a result of COVID-19.

In fact, the opposite is true, with expenditure increasing for the majority of organizations.

Figure 4.1

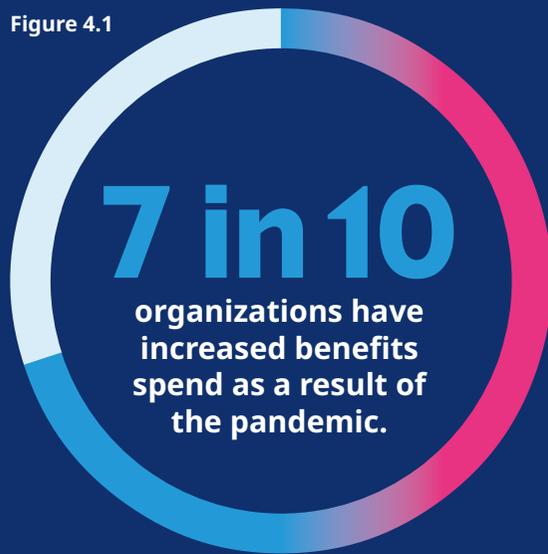
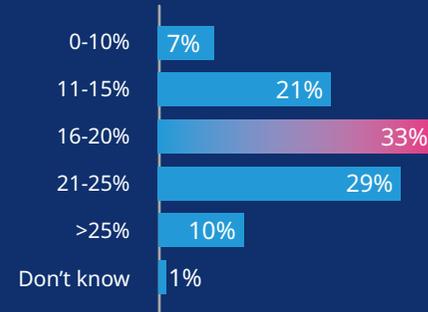


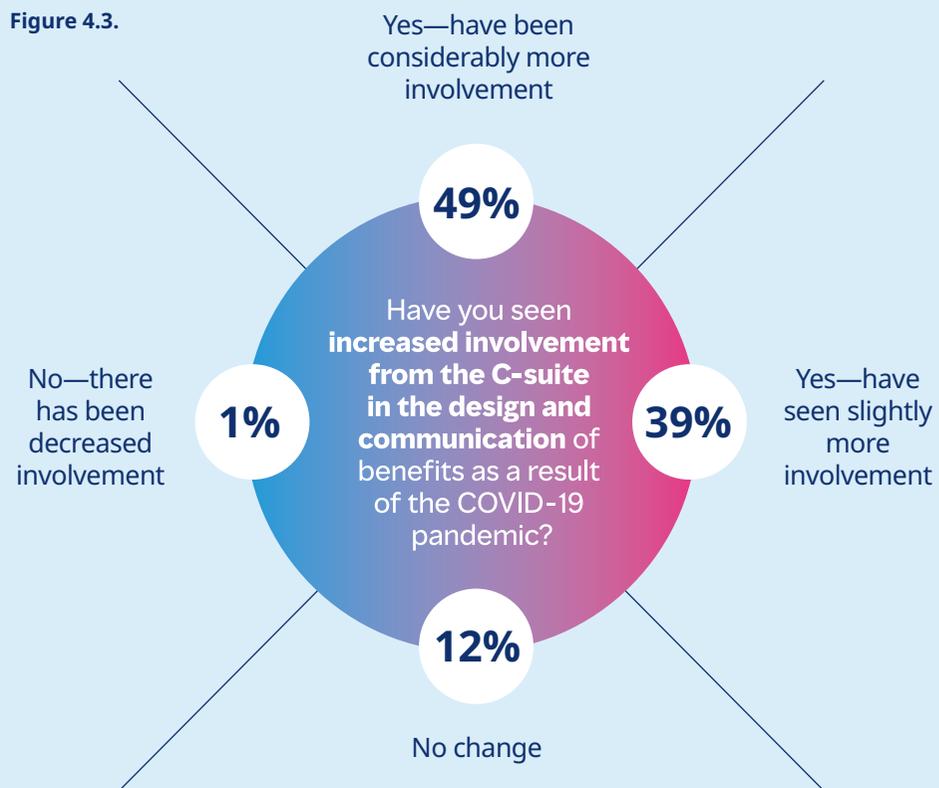
Figure 4.2. How much do you spend a year on benefits per employee? (As a percentage of base salary)





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.

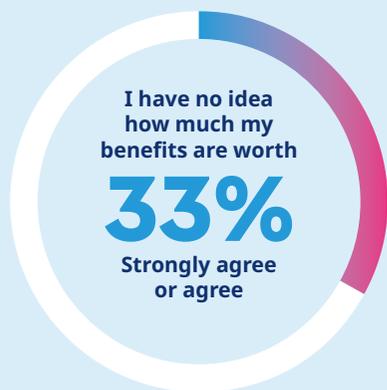
Figure 4.3.



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?

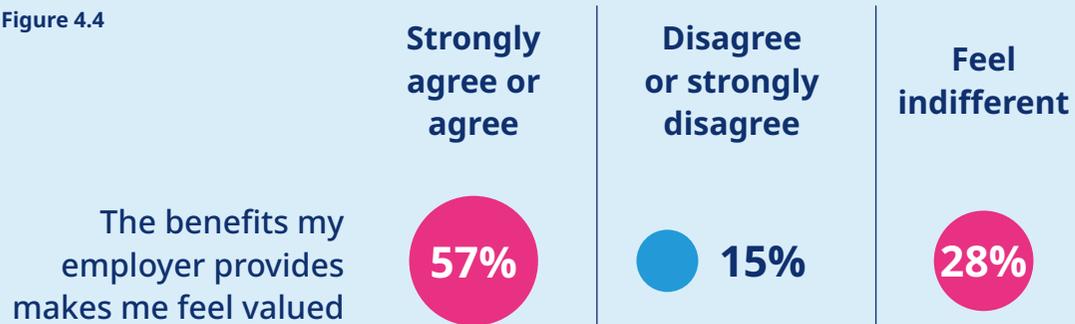
With 72% of organizations spending more as a result of the pandemic, the C-suite will be looking for evidence that this additional expenditure is yielding results.

However, a number of employees still do not appreciate just how much their organization is investing in these benefits with a third saying they do not know how much their benefits are worth.



So for a third of employees, more needs to be done to communicate the value of their benefits. A further third do not feel the benefits they are offered make them feel valued by their employer. To continue to positively impact the lives of employees, organizations need to take action.

Figure 4.4





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 4.5.

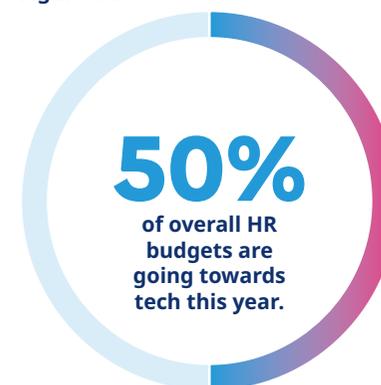


Figure 4.6. What areas of HR are you prioritizing for technology investment this financial year?

- 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 and 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.



Figure 5.1. Do you use software to manage, administer and deliver your benefits?

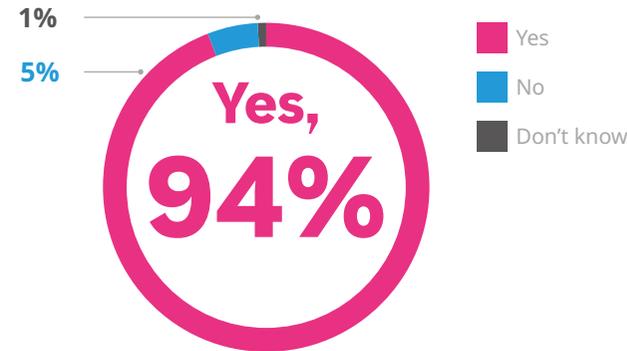


Figure 5.2. What kind of software do you use?



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 5.3. 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



No—and it made it difficult to respond



Organizations are also increasingly managing, administering and delivering benefits at a global level; with the pandemic further accelerating plans to centralize HR for 67% of organizations.

Figure 5.4.

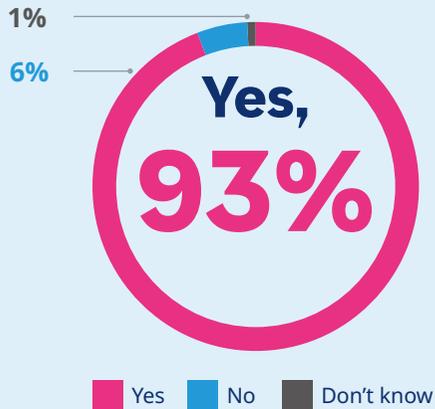


The COVID-19 pandemic accelerated plans to centralize HR for 67% of organizations.



The age of adaptability:
A digital-first approach to benefits in a post-pandemic world

Figure 5.5. Are benefits included in the centralization of HR operations?

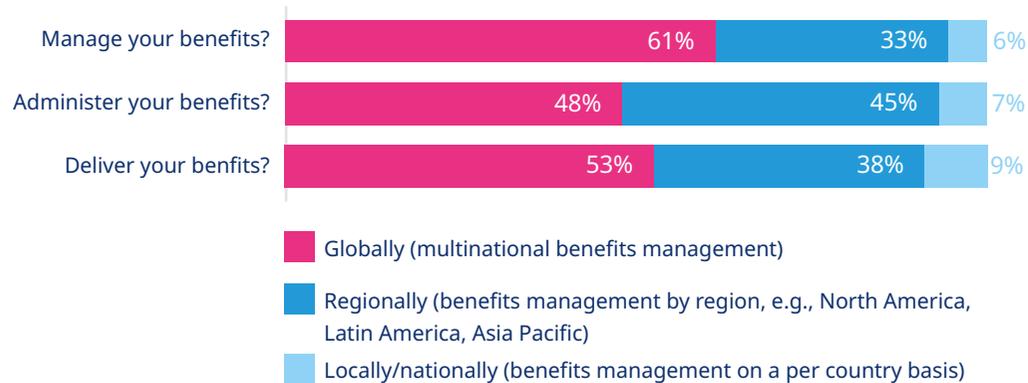


At the same time, organizations are increasingly looking to consolidate their benefits technology to support this shift to centralization.

As such, there has also been a growing trend to manage benefits platforms globally or regionally.

Looking at the big picture, this also supports HR and benefits teams to meet their top goal: a globally consistent employee experience.

Figure 5.6. At what level do you:



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.

Figure 5.7. How likely are you to consolidate your benefits technology and brokerage/consultancy with a single adviser?



90% of employers are likely to consolidate their benefits tech and brokerage/consultancy with a single adviser

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.

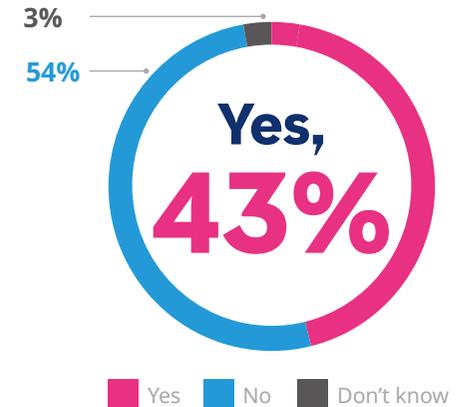
As a result, technology spend has taken an increasing proportion of the overall HR budget for 76% of organizations.

Figure 5.8. Has the proportion of your overall HR budget going towards tech increased or decreased as a result of the pandemic?



While the overall picture shows that HR and benefits teams are generally increasing their spend on technology there are still significant barriers for more than four in ten organizations.

Figure 5.9. Do you have any barriers to HR technology investment?



Some of these barriers are short-term. COVID-19 has obviously had an impact and, budget restrictions and furloughs and redundancies are listed as the top two barriers, with the business environment ranked 5th.

Looking beyond the pandemic, a significant number of HR and benefits teams are still struggling with disparate systems—either too many or problems integrating them—and issues with data (with the associated inability analyze ROI).

Figure 5.10. What do you consider are the most significant barriers to HR technology investment?

- 1 **Budget restrictions as a result of the COVID-19 pandemic**
- 2 Furloughs and redundancies
- 3 Tools not fit for purpose
- 4 Lack of C-suite or board-level buy in
- 5 Business environment
- 6 Other business priorities (e.g. acquisitions, divestitures, etc.)
- 7 Concerns around the storage and use of employee data
- 8 Lack of time on the team to support implementation
- 9 Integration with existing systems
- 10 Too many HR systems already in place

A consumer-grade experience yields results

Over the last year there has been a significant increase in the percentage of employees who agree that “my HR technology experience at work is very joined up”, from 52% to 61% in just 12 months—and during a pandemic. Although there is still some way to go.

When employees are provided with this consumer-grade experience they are much more likely to feel they have “highly relevant” benefits.

Figure 5.11.

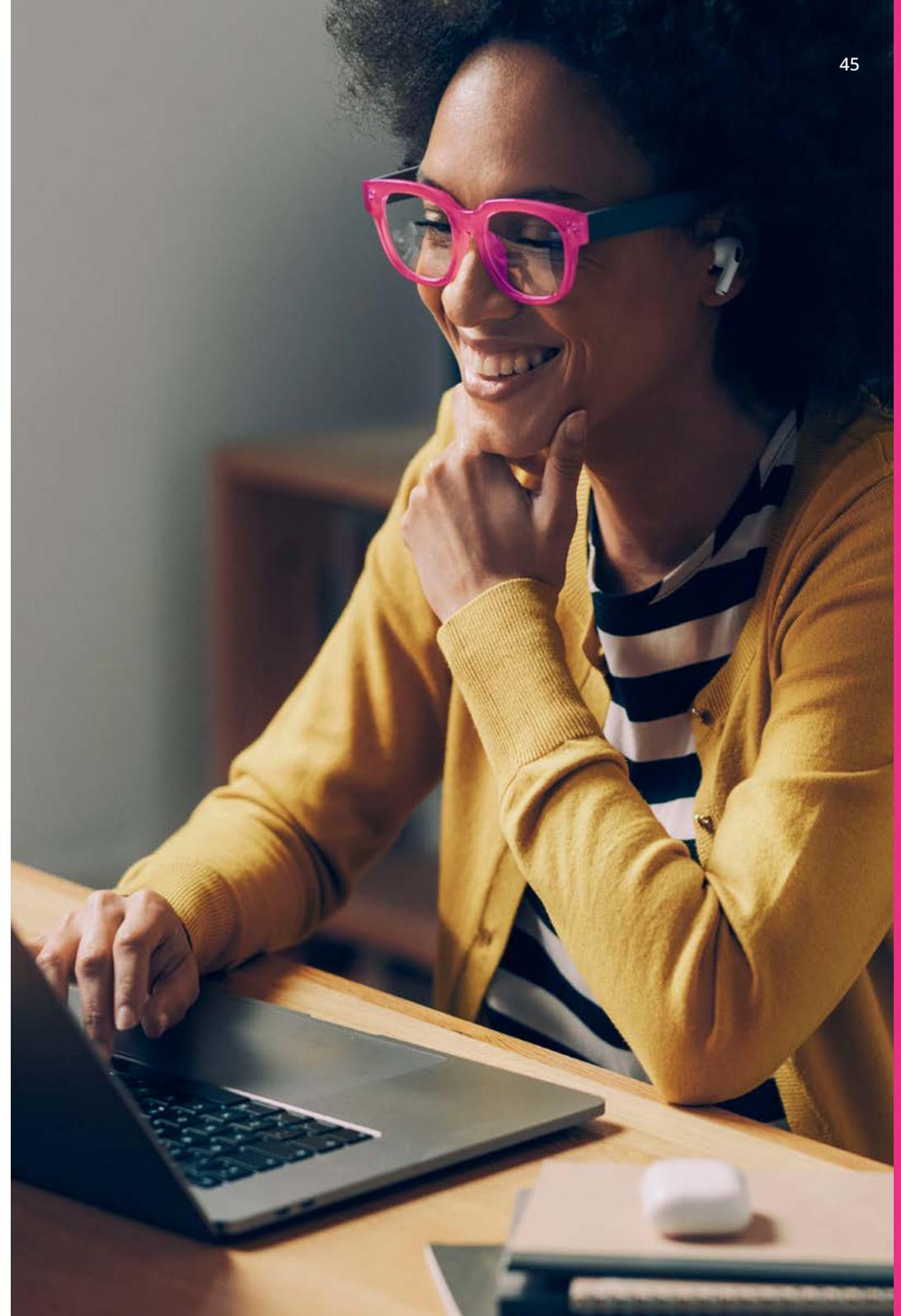


Figure 5.12. How much do you agree with the following statements? (Based on those who feel they get a 'consumer-grade experience' from the technology they use to access and manage their employer-provided benefits)



Conversely, those who felt that their benefits did not provide them with the support they needed during the pandemic also felt that their technology experience was poor with only 11% saying “my technology experience at work is joined up”, 7% stating that their benefits make them feel valued and only 9% saying they would recommend their employer to a friend.

It's insights such as these that many HR and benefits teams are missing because they are not collecting and analyzing data effectively.





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.

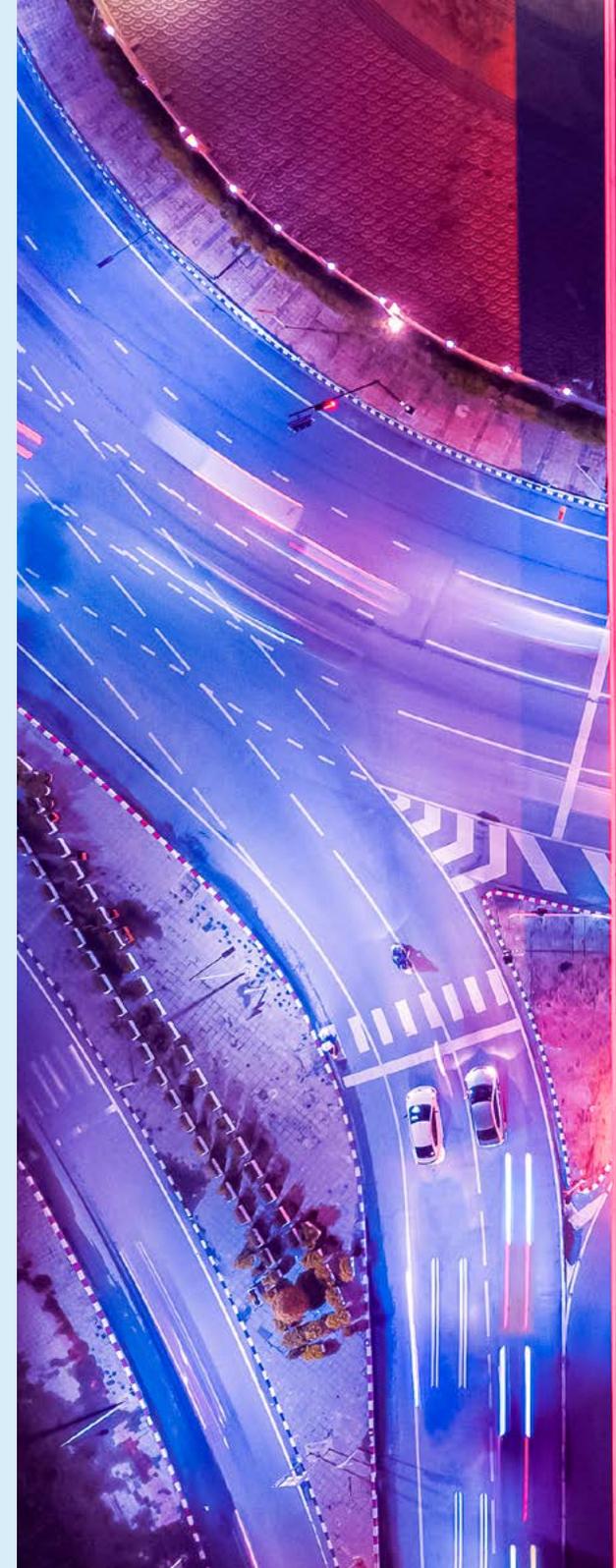


All other areas of the business use data and analytics—HR needs to step up too and use data more effectively. The key question is, if HR and benefits teams are asked to justify their average spend of 20% of salary on benefits (bearing in mind this is increasing YoY), will they be able to do so, and prove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

Nearly 9 in 10 HR and benefits teams have already reported that they could make changes quickly thanks to the technology they're utilizing. This enabled them to adapt to changing needs—and delivery methods—as a result of COVID-19. However, did they know if they were changing the right things? Did they have the ability to measure the value of their additional investment in benefits? And how did they know if they were getting it right? Data analytics is essential to be able to make these changes effectively. Without the analytics underpinning these decisions, it's impossible to be sure that they are having a meaningful effect. And it's equally difficult to react to changes in future—how can you form a robust strategy if you don't understand the impact of changes.



Figure 6.1.



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

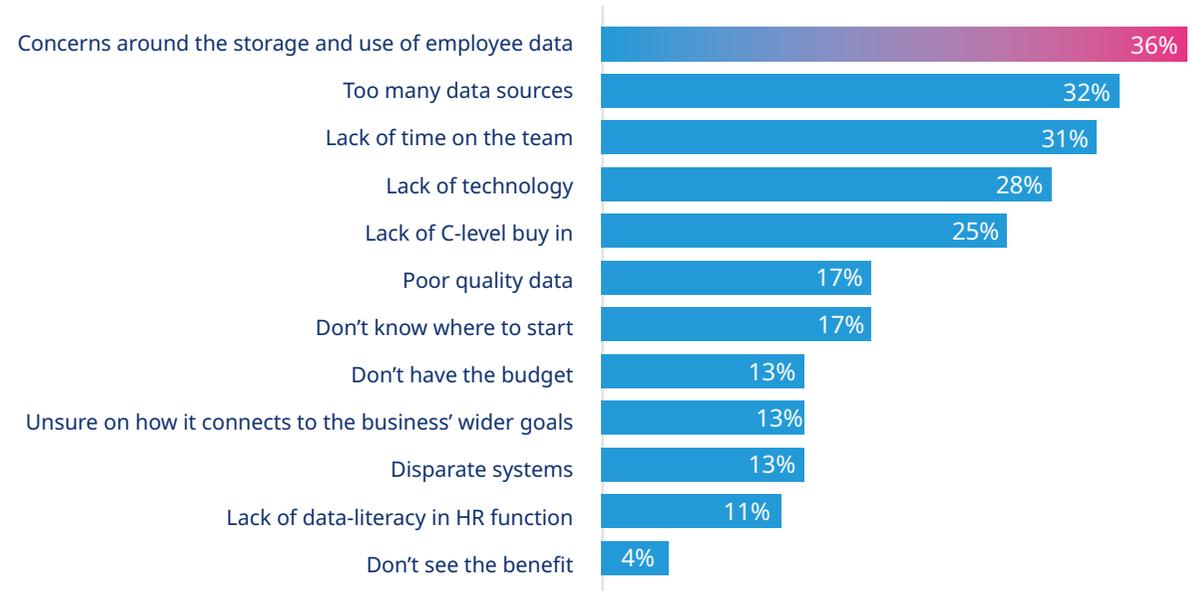
If you don't have the data, how can you generate insights?

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. Yet take-up levels should be relatively easy to measure.

One explanation could be 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 in 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- and long-term.

So, what is standing in the way of smarter data analytics?

Figure 6.2. What are the biggest blockers to using employee data for analytics? (Tick all that apply)

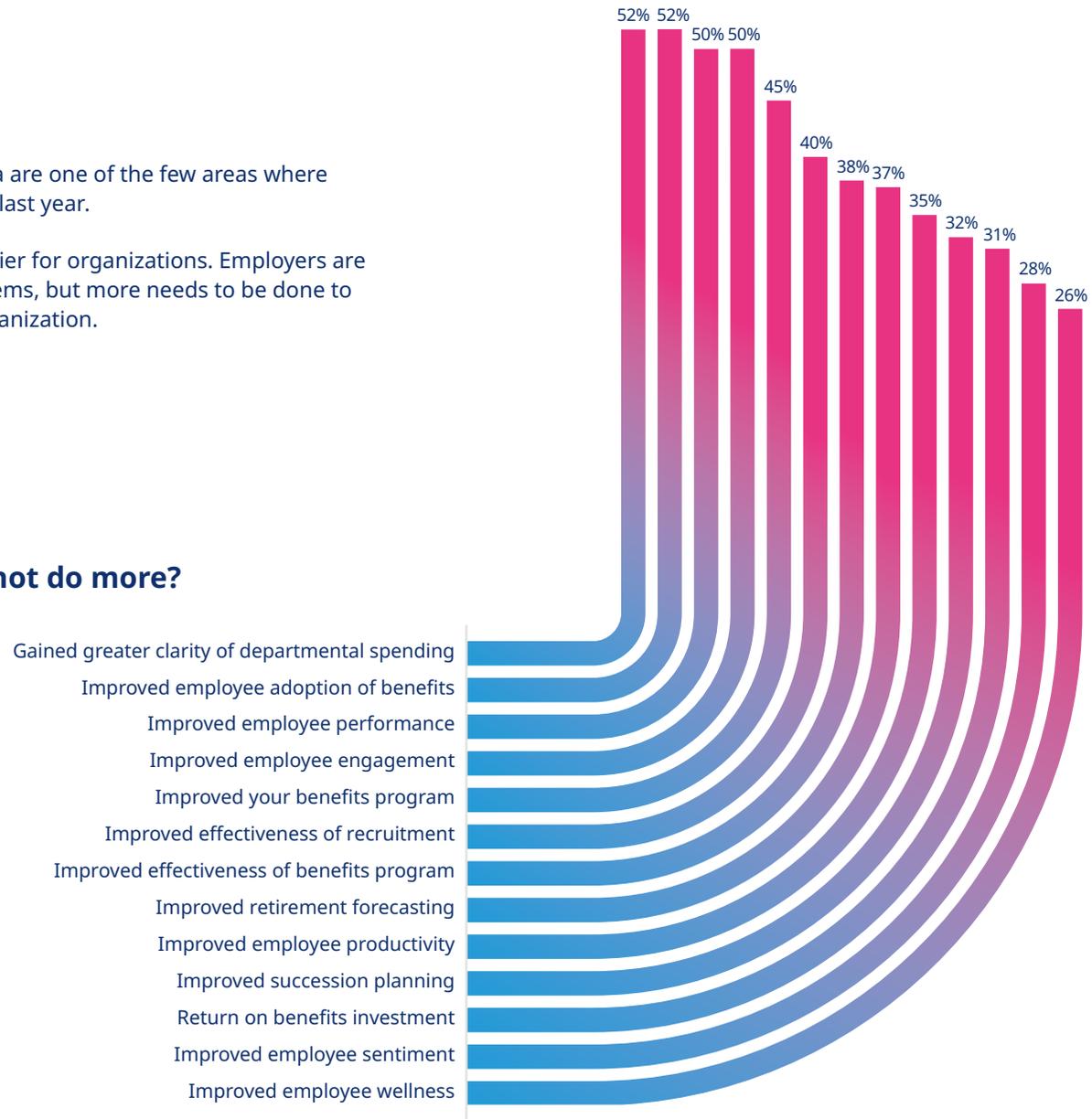


Concerns around the storage and use of employee data are one of the few areas where there is a growing problem—with a 20% increase since last year.

“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.

Data insights achieve results—so why not do more?

Figure 6.3. Have you achieved any of the following by acting on insights generated through data analytics?



The age of adaptability:

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

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.

Earlier in this report a disconnect between employer and employee perceptions of benefits (with many unaware of changes made in response to COVID-19) was revealed. A way to bridge this gap is through better data analysis with 45% of organizations using this to improve their benefits program.

Improved employee wellness lags behind even retirement forecasting and succession planning—despite this being the main focus for many HR and benefits teams during the pandemic.

So, much of this increased spend may be hard to justify going forward—simply through lack of efficient data analytics.

If organizations cannot measure how employee wellbeing has improved as a result of changes to benefits, how do they know they are having the desired effect?

Reporting roadblocks

Given the sheer size of benefits budgets, it's concerning that 3 in 10 would take longer than a week just to answer a very simple question: "What is our highest costing benefit?" Nowhere else in the business would it take over a week to determine the highest costing element of such a material proportion of organizational spend.

For some, the issue is that they are effectively drowning in data (32%).

70% would take a month or longer just to find the answer to "How much have we spent on benefits this year?" With increased C-suite scrutiny and investment, and a more agile approach to benefits proving its value, these timescales are no longer viable.

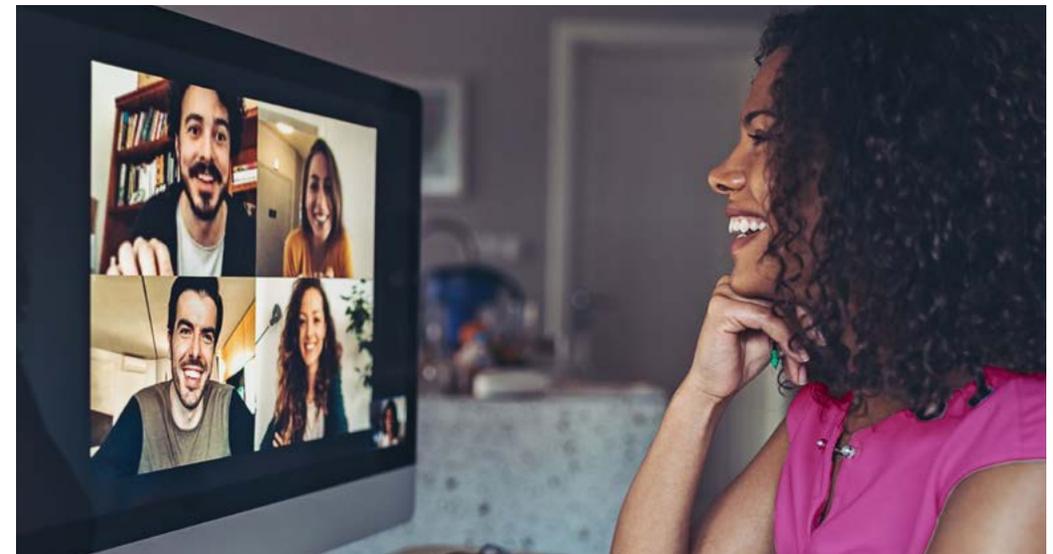
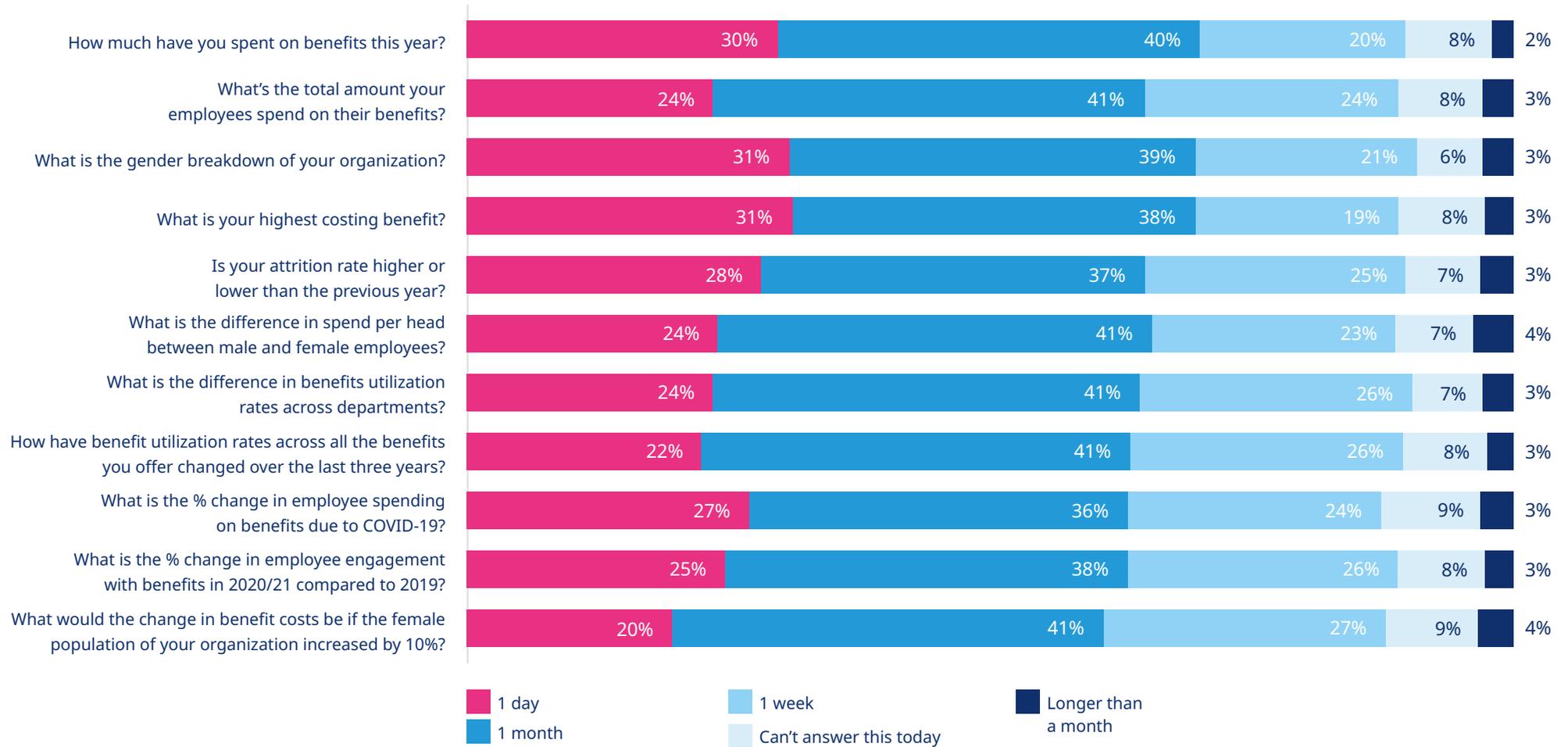


Figure 6.4 How long would it take you to answer these questions?



Personalization as a priority

While total personalization at an individual level is some way off yet for most organizations, if HR and benefits teams are to move towards a more consumer-grade delivery of benefits—then data capture and analytics will be even more vital.

After all, how will teams know which benefits require more (or less) investment if they do not have the data to back up these decisions? And how will they create more personalized experiences?



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



Conclusion

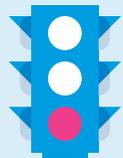
In the space of just a year, benefit programs and the teams that deliver, manage and report on them were thrown in the spotlight. Providing a globally-consistent employee experience increased in importance for

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:



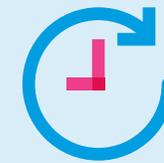
85%
making changes their
benefits offering in
response to the pandemic



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

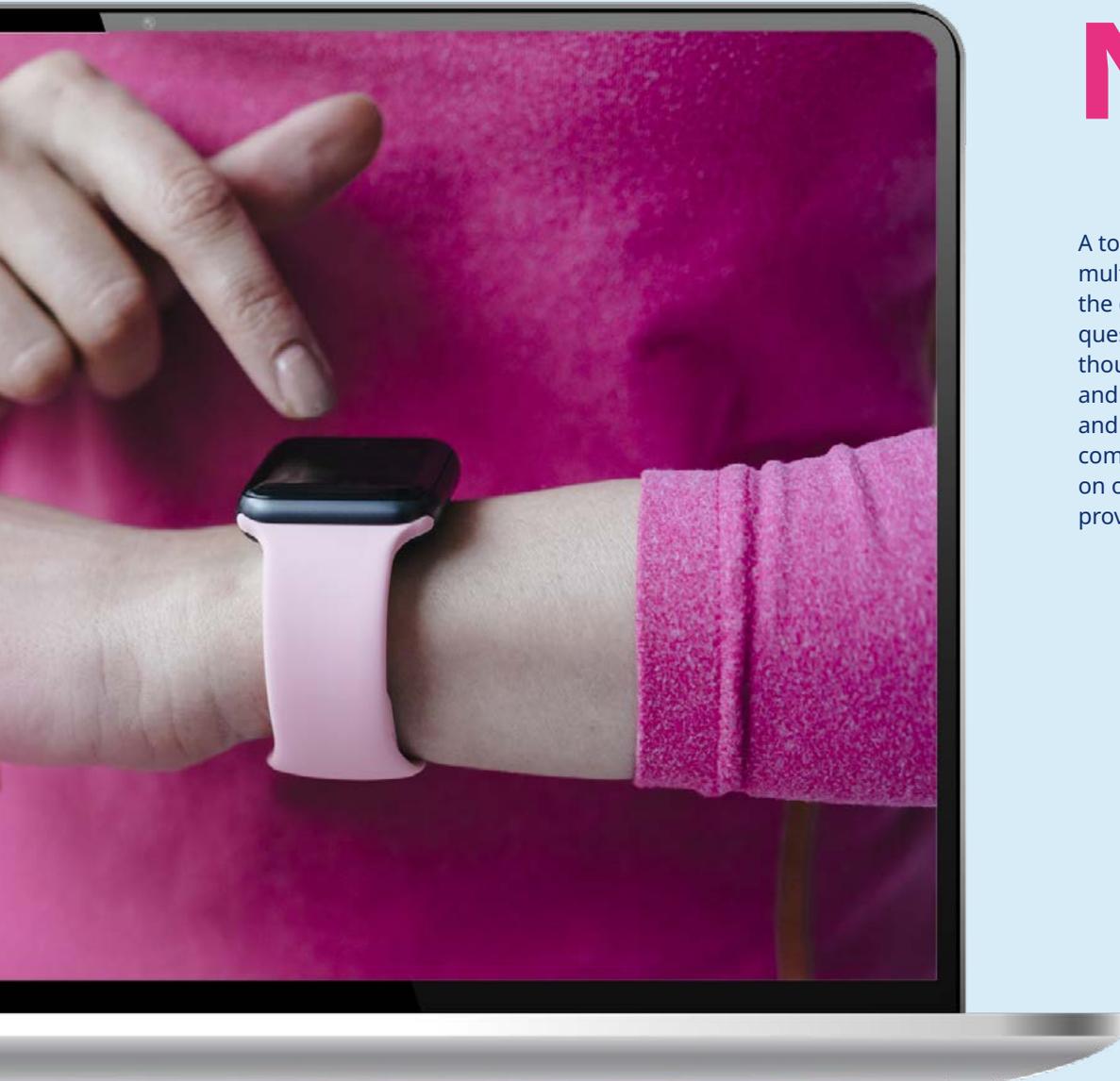
The majority of organizations made changes to their benefits in response to the pandemic. But findings show that they struggled with data sources to give them confidence about what they were changing and why, and what impact it had on their employees. Just 53% report on benefit take-up levels. With organizations 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 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.

Find out more about Darwin [here](#).

About Mercer Marsh Benefits™

Mercer Marsh Benefits (MMB) was born out of the unification of one of the world's best loved HR consultancies, the global leader in people risk advisory and the number one disruptive benefits technology firm to form one unique business. Together they have shaped some of the world's most loved employee benefit experiences for small companies, growing enterprises and global firms. MMB is 7,000 strong, on the ground in 73 countries, and servicing clients in more than 150 countries. It brings local expertise to more places and works side-by-side with clients, and [Mercer](#) and [Marsh](#) colleagues around the world. Mercer and Marsh are two businesses of Marsh McLennan (NYSE: MMC), together with [Guy Carpenter](#) and [Oliver Wyman](#). The Company's 78,000 colleagues advise clients in 130 countries. With annual revenue over \$18 billion, through its market-leading companies Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.