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PASSION

"DIVERSITY IS ABOUT LEADERSHIP WITH DIFFERENT STRENGTHS AND WEAKNESSES THAT ALL VALUE ACCOUNTABILITY AND EXCELLENCE"

MAXINE BONWICK
HR DIRECTOR (UK)
RENAULT

ARTICLE BY JUSTINE WOOLF, DIRECTOR OF CONSULTING - INNECTO

JUST REWARD

"BIRMINGHAM COUNCIL SOUNDS A LOUD WARNING, BUT BUSINESSES ARE STRUGGLING WITH A SLUGGISH ECONOMY AND ARE RELUCTANT TO EXPLORE THE RISK THEY ARE EXPOSED TO AS THEY CAN'T AFFORD TO RECTIFY IT"

Many businesses and their employees feel frazzled, tired of running flat out to adapt to crises of economy, health and geopolitical turmoil. But now is time to focus back on people matters and reward tops the list. We must now reacquaint with the basics of what engages and incentivises people, what measures and levers retain and attract essential skills and talent and set a future vision in which businesses are vibrant and dynamic and employees are sustainably and equitably rewarded.

We can't put a tidy up off any longer, before diving into 2024, having a view of where you want to move to before you lift the lid is key. Assuming no more major crises of an economic, health, or military nature - and who knows how realistic that is - the focus for 2024 will be on fronting out the issues that have been sitting in the too-hard box for the last few years. We've all been so busy chasing our tails that we haven't had the luxury of being strategic. However, with time horizons for change shrinking by the decade, we can't afford to wait for the waves to catch us. There are three main areas that HR Directors need to have on their agendas for 2024:

The first job is putting your house in order: For many organisations, reward frameworks, policies and pay practices have been trundling along in the background with a big yellow caution sign attached, but with very little willingness to lift the lid and look underneath, to uncover the true nature of the risk businesses are exposed to. The impact of equal pay claims on Birmingham Council sounds a loud warning, but businesses are struggling with a sluggish economy and are reluctant to explore the risk they are exposed to as they can't afford to rectify it. However, with the EU Pay Transparency Directive and proposals for more detailed analysis on pay and social pressure from younger entrants to the workforce, shutting the door and hoping the challenge of pay discrepancies or transparency will go away, only puts off the inevitable. A key focus for HR in 2024 should be; putting structures in place, tidying up data and understanding any risk that the business is exposed to, in order to be on the front foot of future challenges. This means taking some time to do the housework we all put off. It's time to simplify and justify, are the 20 project manager job titles on your system really different jobs or just messy titling conventions? What about job architecture? Do people understand how the levelling structure works? Is there a framework that enables you to differentiate roles meaningfully? What about the market data that is purchased every year, is it being using to its full potential? Is it accurate, relevant and with a robust methodology? In short, can you justify why roles are paid differently if challenged? While EU Pay Transparency doesn't apply here yet, we have seen cross-pollination of pay equity laws across the globe, to the point that currently, over 25 percent of workers in the US live in states where employers must share salary ranges for roles they are recruiting for. We all know that sharing pay ranges opens a Pandora's box, but with studies like one from Monster, showing that 53 percent of respondents won't bother applying for roles with no salary range present, suggests talent expects transparency. Why wait for legislation to make it mandatory? Now is the time for installing basic reward frameworks and reviewing what is in place, to determine whether it still works for the business today, as well as the future.

The second area that needs consideration is humanising reward and designing experiences for employees: This means taking a strategic approach to the workforce of the future and recognising that career development is no longer linear and that reward is not one-size-fits-all. The impact of AI is only just starting to be understood and for many, it absolutely goes into the too-hard box, because we don't really understand what it means on a practical level. Generative AI right now feels quite scary and there is no manual on how to use it, plus it is continually adapting, evolving and learning. We can, however, think strategically about the types of skills the workforce will require and start to plan accordingly. Early studies show that Generative AI can have a significant impact on productivity, quality and levels the skills playing field. According to Mckinsey, over twelve million occupational transitions are likely going to need to happen between now and 2030, with 80 percent of them in customer service, food service, production and office support occupations. This means that we need to think about moving to more skills-based hiring, as opposed to focusing on qualifications and relevant skills. We can also help employees illustrate potential career opportunities, by focusing on these skills and not job titles or traditional pathways. While the talent marketplace may feel too abstract for many, the idea of supporting staff to view their career as a series of experiences is one that we can all start to engage with and explore. By helping staff move out of a role that is in less demand and into a role that has more demand, we can also save money in the long term, because we have already invested in human capital. This means our HR processes need to start to move away from treating everyone the same, to becoming hyper-personalised and catering to the unique needs and preferences of each employee. From tailored reward to individualised career paths, we need to start thinking about how to use data and AI to create a more engaging and customised experience for every employee, ideally leading to increased retention.

"OVER TIME, WE WILL LIKELY SEE DIFFERENTIALS REDUCE, SO THAT WE HAVE JUST ONE SET OF NATIONAL PAY RANGES, RECOGNISING THAT TALENT CAN BE ATTRACTED FROM ANYWHERE"

The last area of focus for now should be nailing the approach to hybrid working and what it means for the way people are paid and rewarded: As this new landscape pans out - with many organisations unwilling to commit one way or another - we are seeing more headlines decreeing that people must come back into the office as leaders struggle to know how to build remote cultures and are fed up paying for office space nobody is using. There's a real strategic approach needed here to determine what type of organisation we want to be, what talent is needed and how we want to work and relate and build community. This has to come before the practical element of what contracts people are on, how we pay employees living all over the country and expenses are paid. These aspects need addressing fast, because the ambiguity is creating pay disparities and are open to challenges for unequal practices. It also has huge ramifications for the pools we fish in for talent and our abilities to be truly diverse and inclusive. Data shows that flexibility in where and how we work hugely benefits women - as well as many minority groups - and with evidence that remote-friendly workplaces grow revenue faster than those that are not, the business case for increasing flexibility in work is obvious. Many businesses have been waiting to see what others do to decide on the right approach to hybrid working. Readers will be all-too familiar with the complex picture in which some employers are stating that employees must be physically present in the office at least two days a week to qualify for location-based premiums, while others are promising that there will not be more than a ten percent differential between office and home-based workers. While looking over the fence at peer firms and those in other sectors and markets can be helpful to gain ideas, what works for one business may not work for another. Over time, we will likely see differentials reduce, so that we have just one set of national pay ranges, to cut out the ambiguity and inequity that currently exists. But we may also find that, as in the US, location premiums that were mostly phased out in the UK begin to creep back, in recognition of the cost-of-living in high-cost areas. But while it is desirable to have a definitive stance and take firm and decisive actions on this, as the last few years have shown, we also need to be able to adapt policies and practices in an agile way, as this revolution commences.

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