

Next Generation HR – The new moral compass of business?



In this issue

- 2 New IES reports
- 3 Gender pay reporting: An opportunity to audit and address, rather than a threat
- 4 Supporting employees' financial wellbeing, what can and should employers do?

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Stephen Bevan, Head of HR Research Development



What do those just starting out on their HR careers think about the world of work in 2025 and beyond? Do they see the challenges through the same 'lens' as their more senior colleagues? What skills do they think that HR professionals will need to deploy in a decade or so?

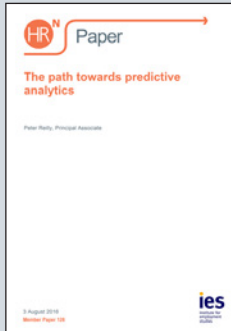
Over the summer, IES convened 10 of the 'next generation' of HR professionals from a range of UK businesses to try to find some answers. We set them a 'homework' question to address as a group over 2 months to prompt them to think about the consequences of the demographic, technological and business changes likely to shape the future, with a focus on the psychological contract, the employee value proposition, and the skills of HR professionals. Their task was to research and assess the evidence and to present their conclusions in October to an invited audience of HR professionals, academics

and consultants, and have them interrogated and challenged.

So what did they tell us, how did their messages go down with their audience, and what might it all mean for the future of work and, more specifically, for the future of the profession?

The first conclusion they drew was that the main high-level goal of HR was always going to be to help organisations maximise the potential of their people, despite changes in the labour market, the advances of digitisation and the changing composition of the workforce.

The path towards predictive analytics



HR analytics is increasingly capable of examining existing evidence, and offering predictive solutions. Although many organisations may not have the capacity to offer these predictions, it

is a worthwhile goal to aim for.

This paper looks at the growing area of advanced HR analytics. It considers issues surrounding the definition of predictive analytics before outlining why predictive analytics might be an appropriate move forward for organisations and how they might approach implementation.

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FORTHCOMING

Mindfulness in organisations

The concept of mindfulness is climbing up the agenda in organisations worried about the effect of constant unpredictable change on the wellbeing of employees.

This paper builds on previous IES work on mindfulness, and draws on findings from research conducted alongside Cranfield University School of Management.

It gives details of how seven organisations have used mindfulness techniques in different contexts and formats. It then offers guidance on aspects such as selling in the concept, which employees to target, use of language, and training delivery format.

This report will be published in February 2017.

IES Perspectives on HR 2017

For the latest thinking on current HR topics, look out for our annual Perspectives report early in the new year.

Continued from p1

However, the mechanisms which HR will use to do this are likely to be very different in a decade or more. They all worked in organisations where, to a greater or lesser extent, working remotely, across time-zones and via a number of technology platforms is 'normal'. For them it is only a short and very logical leap towards more 'uberised' or 'on-demand' work for some workers, for office-based jobs to diminish in number and for hierarchies to be replaced by social media-enabled collaborative networks. In the future, they argued, permanent jobs and the apparent precariousness of the 'gig' economy can co-exist as many workers' needs vary over what, for many, will be a 50 year career. Employees of the future will expect their employment experiences to be mediated through technology and these expectations will only be met if HR professionals are, themselves, embracing technology in the way they do their jobs.

Overall, the group was very employee-centric. To them, the idea that people are an asset to be stewarded or a resource to be maximised was alien. They spoke fluently about the necessity for HR to reflect on the needs and aspirations of employees in the way that CEOs and operational managers shape the way that businesses are run. This goes some way beyond a model which is content only to chase ever-rising employee engagement scores. The group was clear that this must involve a strong emphasis on promoting positive mental health among employees as a way of promoting agility, resilience and sustained high performance. This was not a call to return to the old 'welfare' model of Personnel Management. Instead it was a call to be business-focused, strategic but also authentic and humane.

The group were asked whether HR had been delivering a predominantly transactional model at a time when it needed to be a more strategic and even 'ethical' voice in the years before the financial crisis. In the discussion which followed, terms like 'speaking truth to power' and 'moral compass of business' featured frequently as the group suggested that the next

generation would need to be prepared to challenge CEOs more robustly if they judged that questionable short-term expediency was likely to elbow medium-term prudence and demonstrably ethical practice to one side.

So what can we conclude from this exercise? Well, some of their observations reflected a recognition that some current trends will both continue and intensify. Others represented a call for HR to assert itself more confidently and assume a leadership role in shaping the way business responds to some 'big ticket' changes in their operating environment.

The intellectual energy, the curiosity and the willingness to break the mould which our group of 'next generation' HR professionals brought to this project was inspirational and provocative. In some ways their message was that businesses will only be able to deliver a more strategic, agile and differentiated 'offer' to future employees if they – at the same time – were prepared to invest in and stretch the role and capability of the next wave of specialist HR practitioners on whom they will continue to rely. This is an important point because the sophistication of employees and their expectations of work are evolving quickly. Unless business leaders are prepared to place greater faith in their HR leaders to help them navigate this changing landscape with insight and agility they risk getting left seriously behind the pack.

It is worth remembering that most of these future HR leaders are already in the formative stages of their careers. If our group is anything to go by they are full of great ideas and have the energy to start trying some of them out on real business problems. Employers could do worse than giving them a voice sooner rather than later.

Professor Bevan wrote about this project in depth for HR Magazine, in an article titled *What does the future of HR look like?*

To read more, visit: www.hrmagazine.co.uk/article-details/what-does-the-future-of-hr-look-like

Gender pay reporting: An opportunity to audit and address, rather than a threat

Duncan Brown, Head of HR Consultancy

The finalised gender pay reporting regulations were published on 7 December, and with reporting commencing in April 2017, employers with more than 250 employees are having to sit up and take notice.

But just what will the impact of the new regulations be? Activists such as the Fawcett Society¹ and even Parliament's own Women and Equalities Committee² have criticised the draft regulations for being too limited to have any real impact on the UK's 19 per cent mean earnings gap. They support more wide-ranging initiatives such as the compulsory equal-pay auditing and action plans required in a number of European states (and the public sector in Wales), and now proposed under similar legislation in Germany. They also highlight the need to address the vertical segregation which means that two-thirds of the UK's low-paid employees are female while over two-thirds of high-earning executives are men.

Employers meanwhile have had worries about the regulations – principally of encouraging equal pay claims (41%) and causing reputational damage by being ranked in dreaded 'league tables' (61%)³. But the latest (as yet unpublished) research by the GW4 research consortia⁴ amongst 120 employers suggests that the penny is finally dropping. Although fewer than 10 per cent of private sector employers have carried out an audit of their gender pay gaps, 70 per cent are planning to do so and one fifth considering direct action to close the gaps found, as Essex University has recently done⁵.

IES is uniquely placed to comment and advise on gender pay, and our expertise intersects in these three areas:

- Academic research on the causes of gaps and possible solutions: Our report, *Tackling Gender Disability and Ethnicity Pay Gaps: A Progress Review*, for the EHRC will be published shortly.

- Government and parliamentary policy input: We gave evidence this year to the Women and Equalities Select Committee on the gender pay gap report⁶.
- Employer practice: We have advised a wide range of employers, from local authorities through to major industrial and retail companies, on how best to audit and address gender pay gaps.

The publication of gender pay data only makes the auditing and analysis of each employers' pay data doubly essential, for how can you ever address a problem if you don't know its scale nor understand its causation? Our methodology loosely follows the recently updated five-stage audit process recommended by the EHRC⁷.

Particularly in larger employers, however, we often phase the analysis. This means initially focusing on some core statistics, such as those that the reporting regulations specify, to answer basic questions such as:

- What are the gaps?
- Where are they located?
- Do we have a problem?

We then move on to more detailed analysis to determine their causation and consider possible solutions and actions. Is it the case, as one financial services organisation found, that the organisation tends to recruit men on higher salaries than women and import market biases? Is the issue, as a FTSE 100 company found, that part-time workers get lower performance ratings on average than full-time workers? Or is it the lack of women at senior levels, which gave one public sector employer the additional impetus to drive a range of initiatives to create a more diverse leadership cadre?

We believe reporting regulations will also further chip away at the traditional focus by employers on secrecy and carrying out audits under legal privilege. In our experience, an effective programme of action requires involvement, understanding, and buy-in from all key stakeholders in an organisation.

The Managing Partner of PwC, one of the few employers to voluntarily publish its gender pay breakdown, says that you can't effectively manage something unless you can measure and understand it. We believe employers should have nothing to fear from compulsory reporting and voluntary gender pay auditing, but rather have many business benefits to gain.

1. Fawcett Society (2016), '10th November is Equal Pay Day', *Fawcett Society* [Online]. Available at: <http://www.fawcettsociety.org.uk/2016/11/10th-november-equal-pay-day/> [Accessed: 9 December 2016]
2. Women and Equalities Committee (2016), 'Gender pay gap inquiry', *Women and Equalities Committee* [Online]. Available at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/women-and-equalities-committee/inquiries/parliament-2015/gender-pay-gap-15-16/> [Accessed: 9 December 2016]
3. Mercer (2016), 'UK companies sceptical about nature and impact of proposed gender pay gap reporting regulations', Mercer [Online]. Available at: <http://www.uk.mercer.com/newsroom/uk-companies-sceptical-about-nature-and-impact-of-proposed-gende.html> [Accessed: 9 December 2016]
4. GW4 (2016), 'Understanding, and closing, the gender pay gap', GW4 [Online]. Available at: <http://gw4.ac.uk/news/understanding-and-closing-the-gender-pay-gap/> [Accessed: 9 December 2016]
5. BBC News (2016), 'University wipes out gender pay gap with salary hike', BBC [Online]. Available at: <http://www.bbc.co.uk/news/education-36444063> [Accessed: 9 December 2016]
6. Women and Equalities Committee (2016), 'Oral evidence: Gender Pay Gap, HC 584', *Women and Equalities Committee* [Online]. Available at: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/women-and-equalities-committee/gender-pay-gap/oral/28110.html> [Accessed: 9 December 2016]
7. EHRC (2016), 'How to implement equal pay', *Equality and Human Right Commission* [Online]. Available at: <https://www.equalityhumanrights.com/en/advice-and-guidance/how-implement-equal-pay> [Accessed: 9 December 2016]

For more information on equal pay and carrying out an audit, contact:
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Supporting employees' financial wellbeing, what can and should employers do?

Catherine Rickard, Senior Research Fellow

The need to support and protect the financial wellbeing of employees has grown in prominence in recent times, as sizeable groups of people are struggling with financial difficulties¹ driven by depressed wages², rising education and housing costs, and challenges in achieving adequate pension pots. There is a growing body of evidence that shows that poor employee financial wellbeing impacts on health in terms of poor psychological wellbeing, higher stress and anxiety levels³, and lower levels of good health⁴. In turn, this affects productivity in terms of poorer job performance, short-term decision-making⁵, reduced concentration, lower productivity and absenteeism⁶.

Poor financial wellbeing can occur across all employee segments regardless of age, occupation or income level, and research shows that many employees are receptive to employer support and are interested in receiving guidance from their employers about financial issues. Some employers are wary of offering financial advice to their employees because of liability concerns and lack of understanding about when general forms of support become regulated advice, but there are many ways employers can provide support without legal exposure.

Throughout the year IES has been working with the Chartered Institute for Personnel and Development to develop resources for HR practitioners to help them support employees to make good decisions and improve their financial wellbeing. This will include evidence on the business case for supporting financial wellbeing, and practical guidance employers can use and adapt to create an effective approach to policy development and implementation.

To create the guidance, we drew on evidence gathered from the literature on financial wellbeing using insights from economics, individual/organisational psychology, health and behavioural science literature and workshops conducted with experts in financial wellbeing. We have produced three reports which will be of interest to employers and HR professionals, but also to policy-makers, benefit advisers and providers, and money charities:

Employee financial wellbeing: why it's important – introduces the concept of employee financial well-being and collates key information about the poor state of financial well-being in the UK working population.

Employee financial wellbeing: practical guidance – for practical advice on supporting employee financial well-being, including how to find out the type and scale of financial well-being problems in an organisation; building the business case to gain support from managers and colleagues to take action; possible action areas, tailored by common organisational contexts, needs and priorities; and how to measure and evaluate whether actions are making a difference.

Employee financial well-being: behavioural insights – for advice drawn from behavioural insights on how to engage with different sections of the workforce concerning financial well-being.

These reports will be accessible via the IES and CIPD websites in the New Year.

1. Fincap (2016), *Financial Capability Survey*, Financial Capability Strategy for the UK
2. OECD (2015), *OECD Economic Surveys*, February 2015 Overview, OECD
3. Neyber (2016), 'The DNA of Financial Wellbeing' Summary Report 2016: NHS And Healthcare, Neyber
4. Willis Towers Watson (2016), *Global Benefit Attitudes Survey 2015/16*, Willis Towers Watson
5. Haushofer J, Fehr E (2014), 'On the psychology of poverty', *Science*, Vol. 344, pp. 862-867
6. Neyber (2016), 'The DNA of Financial Wellbeing' Summary Report 2016: NHS And Healthcare, Neyber

2017 events programme launched

Online booking for our 2017 events programme will open in January. For more information on events, contact gwen.leeming@employment-studies.co.uk

This year, the calendar will include events on the following topics:

- Getting value from your values
- Pensions and the ageing workforce
- The changing face of work
- Innovation: HR as enabler or inhibitor?
- The dark side of wellbeing: Dementia
- Change management: Elixir or Snake Oil
- Integrating mindfulness and compassion
- Annual Provocation: Performance management, where next?
- Workplace productivity: The human factor

ANNUAL CONFERENCE

Smaller function, bigger issues: Where next for HR and people management?

Thursday, 5 October

Full details of the annual conference will be announced next year. Keep an eye out for further details on our exciting programme.



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