

PRIMER

Surveying Employee Preferences for Rewards: A Primer

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Overview

Most rewards organizations view their employee populations as one uniform entity and presume to know what is best for their employees when it comes to rewards offerings. They don't ask what workers want or how they want it. They just assume. As a result, these same companies suffer higher turnover rates, increased hiring expenses, and lower employee engagement. By contrast, high-performing rewards organizations do everything they can to understand the characteristics, needs, and preferences of their employees. And when they don't know, they ask.

Drawing from external customer and market research methods, employers have access to many approaches and tools that can help organizations learn what's important to their employees—the company's internal customers—and explore how they perceive certain rewards offerings. This article focuses on one such approach: the use of broad survey instruments for the collection of employee input on existing and potential rewards offerings.

In This Article

- ✓ Why employee rewards preferences matter
- ✓ The role of an unmet needs survey
- ✓ How conjoint analysis can be leveraged to assess rewards preferences
- ✓ Optimizing total rewards allocations





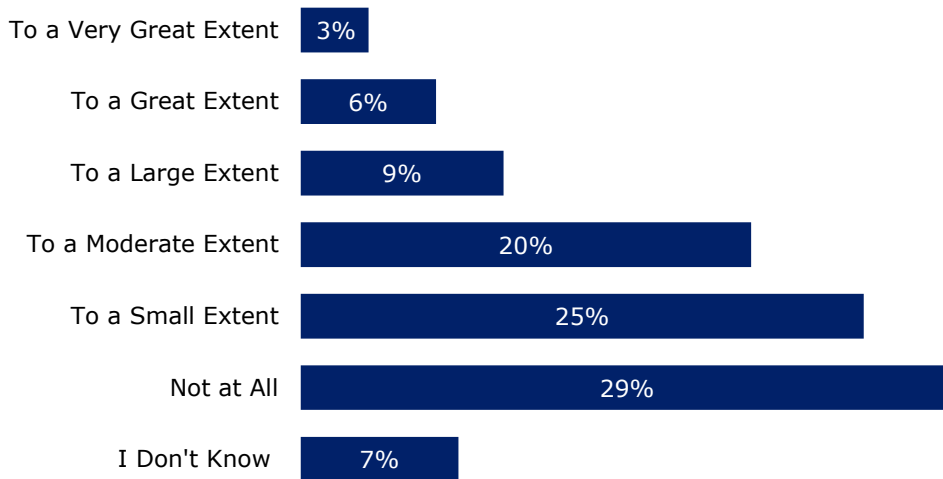
Why Employee Preferences Matter

In most organizations, spending on employee rewards programs (e.g., compensation, benefits, wellbeing) represents one of the largest—if not *the* largest—categories of expenses. But unlike other large cost centers, rewards spending decisions are often made in a relative vacuum of information. Instead of seeking to understand the preferences of the employees who consume these offerings, employers historically base their decisions on instinct, precedent, and external benchmarking information with only broad relevance.

Rewards research conducted by Bersin in 2018 finds that 54 percent of organizations surveyed either do not use data and analysis to understand employee preferences or do so only to a small extent. Further, only 18 percent of respondents use data and analysis to understand employee preferences to a large extent or greater (see Figure 1).¹

¹ (1) *Seven Top Findings for Redefining Total Rewards*, in the High-Impact Total Rewards series, Bersin, Deloitte Consulting LLP / Pete DeBellis and Anna Steinhage, PhD, 2018; and (2) *The Total Rewards Maturity Model*, in the High-Impact Total Rewards series, Bersin, Deloitte Consulting LLP / Pete DeBellis and Anna L. Steinhage, PhD, 2018.

Figure 1: How Much Do Rewards Organizations Use Data and Analysis to Understand Employee Preferences?*



* Percentages may not total 100% due to rounding.

Source: Bersin, Deloitte Consulting LLP, 2018.

In contrast, the same research identified “employee focus” as a key characteristic of high-performing rewards organizations—those that listen to their employees, learn from that input, and design rewards offerings accordingly. These organizations treat their employees as rewards customers by focusing on the quality of employee experience² and by seeking to understand the characteristics, needs, and preferences of these customers.

High-performing rewards functions studied were 1.7 times more likely than low-performing organizations to report that employee experience is a priority for HR leaders and the C-suite.³ Furthermore, the research uncovered that high-performing organizations are six times more likely to use data and analysis to understand employee preferences.⁴

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Source: Bersin, Deloitte Consulting LLP, 2018.

² *Understanding the Employee Experience: Rewards*, Bersin, Deloitte Consulting LLP / Pete DeBellis, 2018.
³ *Seven Top Findings for Redefining Total Rewards*, in the High-Impact Total Rewards series, Bersin, Deloitte Consulting LLP / Pete DeBellis and Anna Steinhage, PhD, 2018.
⁴ *Ibid.*

Organizations need to hear from workers themselves to develop an understanding of and focus on employee needs and preferences. The use of broad survey instruments is an effective method to collect information from large numbers of geographically dispersed employees. Doing so, however, requires knowledge of certain foundational concepts. Simple definitions of some of these concepts for the purposes of this article are as follows.

Foundational Definitions

- **Rewards.** This encompasses all elements of the employer-employee relationship to which the employee ascribes value. Bersin organizes rewards into four categories⁵:
 - Compensation
 - Benefits
 - Wellbeing
 - Experience and actualization
- **Unmet Needs.** These are the ongoing fears and stressors that weigh on an employee, both inside and outside the workplace.
- **Employee Focus.** This positions the employee at the center of everything the organization does, including:
 - Investigating the needs and preferences of employees
 - Soliciting their feedback
 - Placing a high priority on the employee experience
- **Rewards Preferences.** As unique as individual employees themselves, rewards preferences describe how an employee feels about rewards offerings.
 - Do employees like the offering?
 - Do they value it?
 - Do they prefer it to other offerings?
- **Rewards Allocation.** Through this process, organizations decide which rewards offerings to invest in and to what extent.

The process of surveying employee preferences for rewards includes four distinct phases (Figure 2). Each step builds on the one before it, starting with setting the stage to deploy the survey effectively and concluding with making adjustments to rewards offerings based on the findings.

⁵ *Seven Top Findings for Redefining Total Rewards*, in the High-Impact Total Rewards series, Bersin, Deloitte Consulting LLP / Pete DeBellis and Anna Steinhage, PhD, 2018.

Figure 2: Surveying Employee Preferences for Rewards: Process Overview



Source: Bersin, Deloitte Consulting LLP, 2018.

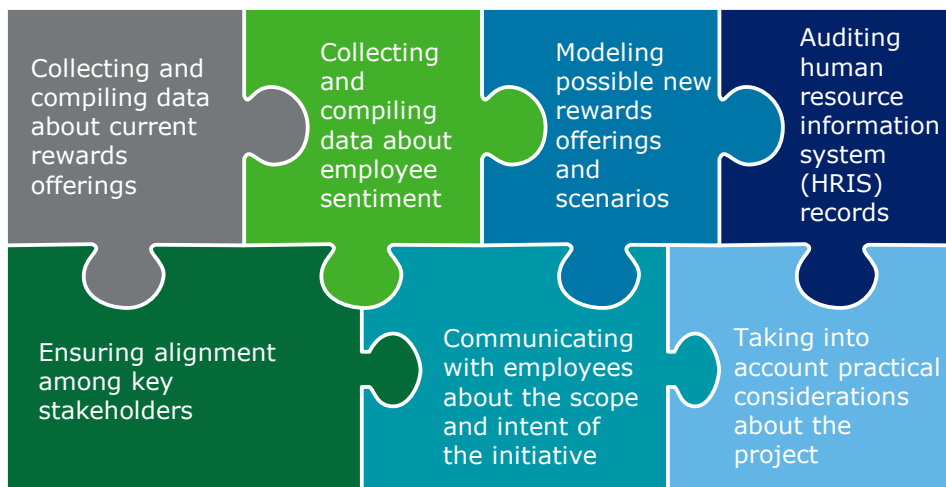
Setting the Stage

The purpose of collecting employee input on existing and potential rewards offerings is to better inform an organization’s decisions about which rewards offerings to invest in and to what extent. Therefore, collecting data from employees is only part of the picture. Prior to deploying a broad survey instrument to employees, a rewards organization should perform several key actions to help position the initiative for success (see Figure 3):

- **Collecting and compiling data about current rewards offerings.** Data should consist of information about cost, participation, utilization, criteria and eligibility, and other factors. The better the current data, the more accurately scenarios and allocations can be modeled and compared with the current state.
- **Collecting and compiling data about employee sentiment.** Reviewing employee engagement survey results, pulse survey data, focus group readouts, feedback shared by employees directly with vendors, open-sourced comments, and any other data sources can help paint a picture of employee sentiment, both in a broad sense and with respect to rewards offerings specifically.

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Figure 3: Setting the Stage to Survey Employees



Source: Bersin, Deloitte Consulting LLP, 2018.

- **Modeling possible new rewards offerings and scenarios.** As with data about current offerings, better data inputs (both internal and external) and modeling of possible new or reimagined offerings can yield more accurate and actionable survey outcome data.
- **Auditing human resource information system (HRIS) records.** Email addresses, demographics, position information, work location, performance history, and any other fields that may be used to collect or analyze the survey data need to be populated, current, and accurate.
- **Ensuring alignment among key stakeholders.** Stakeholder conceptions about the intent of the project must align; its linkage to business, organizational, and people objectives; and desired outcomes, including the definition of success for the initiative. For example, stakeholders may define success as learning more about employee preferences and using this information to realign the current level of spending on voluntary benefits, as needed, to maximize employee preferences without increasing investment.
- **Communicating with employees about the scope and intent of the initiative.** Depending on the culture and climate of the organization, as well as its history of employee surveys, distributing surveys without proper context and change management could prove unsettling for employees. Companies should take care to explain the breadth and purpose of the project to employees and should be prepared to honor any commitments made in these communications, such as how the data will be used or what follow-up employees will receive.
- **Taking into account practical considerations about the project.** Organizations should think about how the initiative will be timed in light of the existing rhythms and cycles of the business, what platform(s) will be used, whether the survey(s) will need to be translated into other languages, and what role external partners may play in the process—to name just a few considerations.

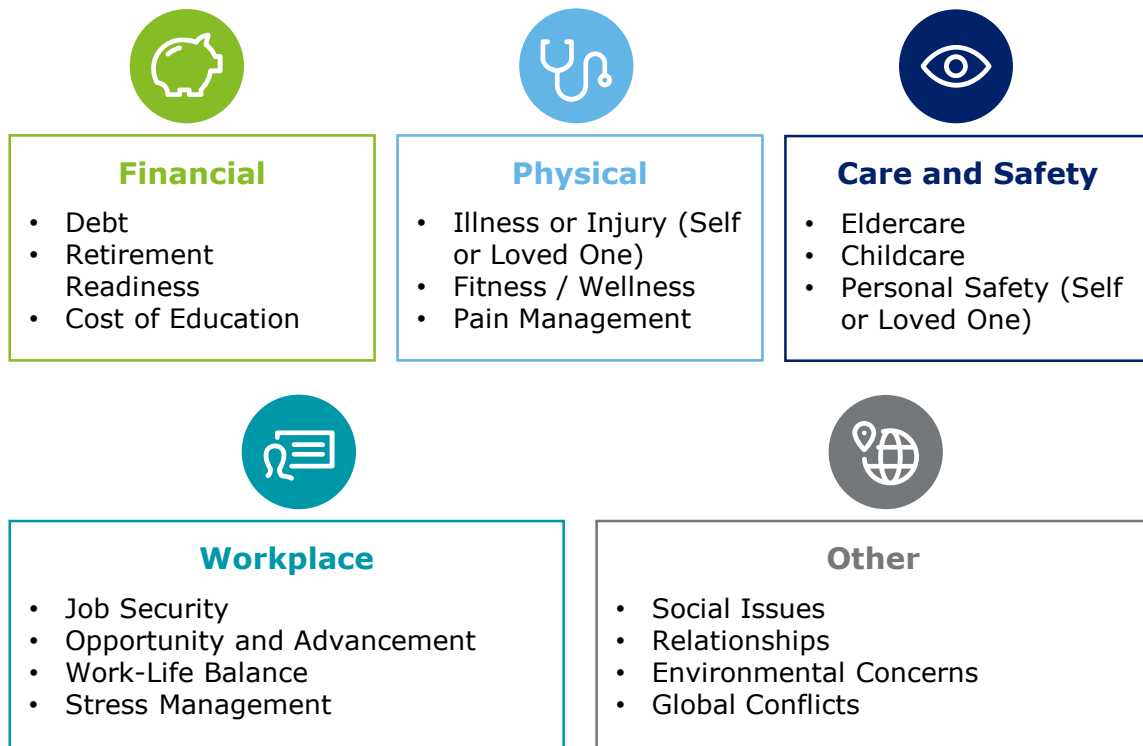
Bersin recommends conducting these “setting the stage” activities prior to moving forward with surveying employee preferences for rewards in order to facilitate the best possible outcomes for the endeavor.

Exploring Unmet Needs: The Survey Before the Survey

An unmet needs survey is often used in advance of a rewards preferences survey to collect baseline information about the ongoing fears and stressors that weigh on employees, both inside and outside the workplace. The fears assessed can relate to topics as varied as retirement readiness, medical conditions, debt, personal safety, childcare, social responsibility, and many more (see Figure 4).

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Figure 4: Unmet Needs Survey: Potential Topics



Source: Bersin, Deloitte Consulting LLP, 2018.

The overarching purpose of exploring unmet employee needs is to enhance the employer’s understanding of the employee population in a more holistic way. This, in turn, can help inform what questions should be asked and what rewards offering scenarios should be explored when rewards preferences are studied in the next phase of the project. In a sense, this is “the survey before the survey”—an opportunity to collect information from employees to enhance the relevance and utility of the upcoming employee preferences survey.

Example: Uncovering New Information about Employee Needs

If an unmet needs study uncovers that a significant portion of an organization’s workforce is very concerned and fearful about their personal debt, then the employer might incorporate financial wellbeing offerings into the rewards offering scenarios presented in the preferences survey, even if such a benefit is not currently available to employees. Similarly, pervasive concerns about the quality or reliability of childcare might prompt an employer to explore backup care programs or even on-site care in the subsequent preferences survey. But, again, the employer needs to first learn about these unmet needs before potentially addressing them.

An unmet needs survey can typically be administered online, though accommodations should be made for work groups or segments that do not have consistent Internet access in the workplace. It should be distributed to the entire workforce being studied in the hopes of gathering the largest and most representative data sample possible. The actual questions asked may explore both the most and least prevalent fears (e.g., “Which of these two issues are you more fearful about?”), as well as other general sentiment / ratings questions.

Different slices of the resulting data may tell an interesting story about how needs can vary based on job role and level. The unmet needs for lower-level employees may differ dramatically from those of the senior management population. The same could be true for employees in HR versus manufacturing, for example. As such, the data may surprise rewards decision-makers, depending on the organization’s structure and culture. In such cases, it’s even more important to explore unmet needs before assessing rewards preferences, so that the subsequent preference questions and scenarios are not built on faulty assumptions.

KEY POINT: An unmet needs survey should be distributed to the entire workforce being studied in order to gather the largest and most representative data sample possible.

Measuring Rewards Preferences

Once the above-mentioned prework has been done (both in terms of setting the stage for the project as well as collecting data on unmet employee needs), it’s time to measure employee rewards preferences. As with an unmet needs survey, a rewards preference survey is typically distributed to an entire employee population in order to maximize data collected and increase potential for results segmentation. This is predominantly executed online, allowing for any extenuating circumstances around Internet access issues.

Based on thorough analysis and cost modeling of current and potential rewards offerings, various combinations of rewards offerings, or packages, can be presented to employees. Employers should evaluate an existing rewards offering in its current form, as well as at increased and reduced levels, to increase their understanding of its relative importance to employees.

A soundly designed rewards preferences survey can enable an organization to assess:

- Current rewards offerings
- Potential new offerings
- *Realistic* possible changes to offerings (e.g., don’t model an increase in salaries that you could never afford or the termination of statutorily required benefits)

Based on the trade-offs that employees are willing to make between various packages (i.e., “Would you prefer rewards package A or rewards package B?”), a statistical technique called *conjoint analysis* can be deployed to identify which specific offerings are driving employee preferences and to what degree. Conjoint analysis is a survey-based statistical method that originated in mathematical psychology and has been

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adapted to help explain consumer preferences—in this case, the preferences of consumers of employer-provided rewards offerings. Put simply, this analysis should reveal which programs and offerings employees prefer versus other alternatives, as well as the sensitivity of those preferences (see Figure 5).

Figure 5: Rewards Preference Survey: Hypothetical Trade-off Examples

Rewards Offering	Package 1	Package 2
401(k) Match	75% of current match (up to 3% instead of 4%)	No change to current match (4%)
Tuition Assistance	Current level (no assistance provided)	Up to \$1,500 / year in expenses reimbursed
Bonus Program	New target of 1.25x current target	No change to current target
Paid Time Off	No change to current PTO plan	Two fewer days of PTO per year

Source: Bersin, Deloitte Consulting, LLP, 2018.

In addition to the core conjoint analysis of trade-offs, organizations may choose to ask nonconjoint questions (such as yes / no, agreement scale, multiple choice, multiple selection) to help inform the overall conjoint results, or to collect feedback on the project itself, rewards elements not included in the conjoint trade-off scenarios, or rewards offerings more generally. Two weeks is a common period of time to keep a survey open and active—long enough to send a couple of reminders, but not so long as to lose momentum.

Once the survey closes, survey administrators can collect, compile, and analyze the raw data. With the data, they can run a variety of analyses (including the aforementioned conjoint approach) to develop a broad understanding of workforce preferences and understand how those preferences may differ by segments—for instance, by age, tenure, location, level, or any other data field included in the original HRIS data set that was curated for the project.

KEY POINT: Two weeks is a common period of time to keep a rewards preferences survey open and active—long enough to send a couple of reminders, but not so long as to lose momentum.

Example: BAF Gains Insights into Employee Needs

For more than 85 years, family-owned Basic American Foods (BAF) has been an innovator in its industry. Recently, the company conducted its first-ever rewards optimization survey. With the goal of fine-tuning its rewards offerings and allocations, BAF designed the survey to gain deeper insights into employee needs and preferences. The survey confirmed some things the company already knew but also shed new light on other areas. Based on these findings, the company has taken steps to increase employee choice by unbundling certain health benefits. In addition, BAF is preparing to pilot a flexible summer work schedule. As a result, the company has updated its rewards communication strategy to focus on a more holistic view of rewards offerings and underscore the company's commitment to employee wellbeing. The company is currently evaluating additional changes and improvements to other rewards.

Adjusting Allocations and Offerings

With rewards preference data and analyses in hand, employers can turn their attention to the critical step of determining what changes, if any, they wish to make to rewards offerings immediately or over time.

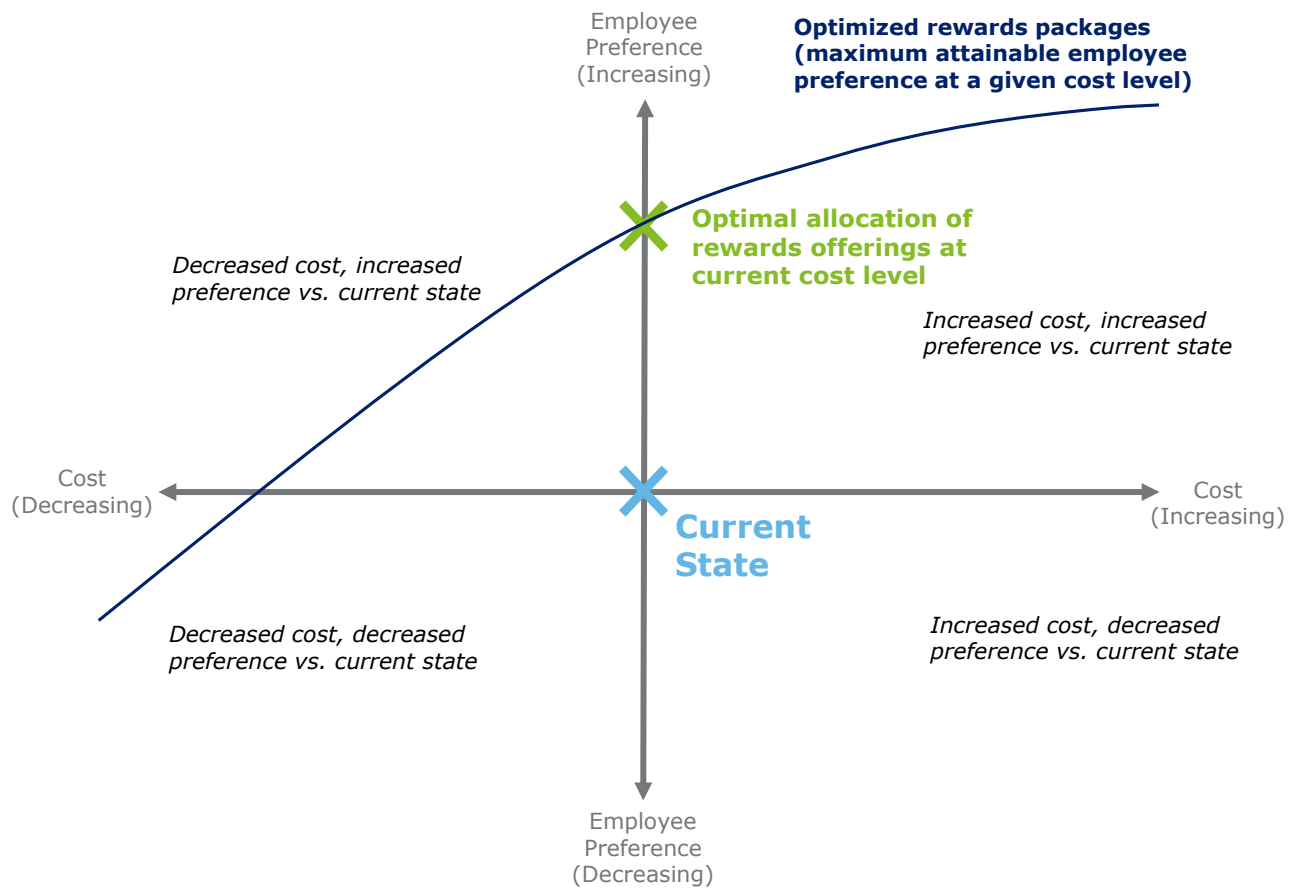
Some organizations approach a rewards preference survey with the intent of identifying cost-savings opportunities; others are looking for ways to keep rewards investments flat while improving employee preference; and still others want to increase rewards investments in the most efficient and impactful manner. A sound and thorough rewards preference survey should be able to inform any of these three approaches—and may even provide data that is compelling enough to alter the intended course of the project.

Borrowing from the economics concept of Pareto efficiency, rewards preference data can help employers identify the most efficient allocation of rewards resources at any given cost level—that combination of offerings and levels that employees will most prefer at that cost. Plotting the most efficient allocations at various cost levels on a graph yields what is known as an *efficient frontier*⁶—a graphical depiction that allows employers to explore the impact on employee preference of increased, reduced, or reallocated rewards spending across a series of preference-optimized rewards packages (see Figure 6).

KEY POINT: Rewards preference data can help employers identify the most efficient allocation of rewards resources at any given cost level—that combination of offerings and levels that employees will most prefer at that cost.

⁶ First coined in 1952 for the investment industry, “efficient frontier” in a broader sense refers to maximum return from minimal risk—in other words, the best risk-reward ratio for a particular element given the present circumstances.

Figure 6: The Efficient Frontier—An Example



Source: Bersin, Deloitte Consulting LLP, 2018.

While the concept of maximizing preference at a given level of spending is fairly straightforward, the math and modeling required to actually develop specific rewards packages along an efficient frontier can be more challenging. As such, many rewards organizations decide to work with an external partner that possesses specialized expertise in this area to help ensure that they get the most out of the exercise.

Regardless of the role of external partners, internal communication with employees is a crucial element of an employee rewards preferences survey project. Tying back to any commitments made earlier in the process, employers should be prepared to share at least the high-level results of the survey with employees. And in particular, employers should be ready to address any decisions or changes that have been or will be made in light of the results.

KEY POINT:
 Communicating with employees is a critical element of an employee rewards preferences survey project.

Case in Point: Herman Miller Optimizes Rewards

Herman Miller is a 100-plus-year-old company that sells award-winning furniture and related services and technologies to customers in more than 100 countries. In keeping with a long tradition of caring about the health and wellbeing of its employees, Herman Miller recently deployed a survey to explore the unmet needs of its employees—the issues, work-related or otherwise, that kept employees up at night.

Data from that survey showed that short-term financial wellbeing issues were of great concern to some employees. Armed with that data as well as other insights about employees' needs outside of work that were gleaned from the survey, the company decided to undertake a broader "rewards optimization" study. The purpose of this study was to take an in-depth look at employee rewards preferences and to combine this preference data with the earlier unmet needs findings to ascertain if there were a more optimal way for the company to allocate its investments across a variety of rewards programs.

The optimization study identified an opportunity to redirect some of the investments being made in a generous retirement program to shorter-term reward programs that would be more in line with employees' needs and preferences. As a result, the company decided to redirect a percentage of the dollars allocated to a profit-sharing 401(k) plan to increase wages for hourly employees and bolster targeted payouts in the company's existing quarterly cash bonus plan for salaried employees.

The change was warmly received by employees, who appreciated the increased financial flexibility the adjustment afforded them. Employees who were more concerned about retirement readiness could decide to direct more bonus dollars into their 401(k) plans and effectively re-create the previous scenario, while those with shorter-term financial concerns now had more take-home pay to use as they saw fit.

The company will not end up investing an appreciably different amount in its rewards programs, but by taking an employee-centric view of its programs and using innovative surveys to explore employee needs and preferences, it was able to identify a win-win scenario to improve the perceived return on these offerings.

Conclusion

Rewards organizations should be doing everything they can to understand the characteristics, needs, and preferences of their employees. The use of broad employee survey instruments is an effective approach to collect employee input on existing and potential rewards offerings. Once preferences—and their sensitivities—are understood, employers are able to make informed decisions about both the overall levels and relative allocations of their rewards investments.

Rewards allocations that are optimized present a win-win situation for employers and employees: employers get the most return for their investment in terms of employee satisfaction, and employees receive the best rewards package possible, given the company's cost constraints. While this concept is simple, the execution can be challenging, so many rewards organizations tap into the expertise and technologies of external partners to help gather and leverage employee preference data.

Employee preferences are not static and can change significantly over time, as can the competitive market for talent. As such, employers should not view a rewards preferences survey as a one-time event. Rather, it should be repeated in whole or in part over time. Surveying rewards preferences is just one technique of many that can help to bring more employee-centricity and evidence-based decision-making into the rewards function specifically, and HR discipline more broadly, over time. Organizations that are willing to take such an approach can expect to see improvements on the return on their rewards investments borne out through human capital metrics, such as lower turnover rates, reduced hiring expenses, increased employee engagement, and increased satisfaction with rewards offerings. ■

ANALYSIS: Once employee rewards preferences—and their sensitivities—are understood, employers are then able to make informed decisions about both the overall levels and relative allocations of their rewards investments.

Key Takeaways

- The use of broad employee survey instruments is an effective approach to collect employee input on existing and potential rewards offerings.
- Distributing employee surveys to the entire employee population can increase the amount of data collected and improve the potential for results segmentation.
- Companies should explain to employees the breadth and purpose of the survey project up front and should be prepared to later honor any commitments made in these communications, such as how the data will be used or what follow-up employees will receive.
- High-performing organizations consider the needs and wants of their employees in the design, implementation, and allocation of their rewards offerings.
- Unmet needs surveys can provide valuable data for employers about the fears and stressors in employees' lives, both inside and outside of the workplace, which can be used to inform a rewards preference survey.
- Employee surveys that are designed to facilitate conjoint analysis of the trade-offs employees will make between rewards offerings and levels can provide rich and actionable data for employers to determine a more efficient allocation of resources.
- Many rewards organizations tap into the expertise and technologies of external partners to help gather and leverage employee preference data.

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Pete possesses extensive rewards practitioner experience, having served as an in-house corporate rewards professional for public companies in biotechnology and financial services and as a cross-industry rewards consultant in both large and boutique consulting firm settings. Pete also has senior HR executive experience and understands first-hand the critical linkages between total rewards, HR strategy, and overarching business objectives. He holds a BS in industrial and labor relations from Cornell University.

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