

The Future of Work and Rewards

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Changing work arrangements, availability of talent, technological advances and shifts in customer and employee preferences are transforming the work we do and the relationships we have with our employers. In fact, rapid changes in genetics, artificial intelligence (AI), digital technology, robotics, nanotechnology, three-dimensional printing, biotechnology, smart systems and electrical grids make some of us think that a fourth Industrial Revolution has arrived that will not only transform work but also the way we live and the values we ascribe to as a society (World Economic Forum 2016).

In addition to these technological advancements, work is being reshaped by increased workforce diversity in virtually all demographic dimensions including age, religion, nationality and gender. Society and societal values are undergoing a rapid rate of change as reflected in a greater acceptance of individual differences and increased advocacy for open-mindedness regarding alternative lifestyles, values and preferences. Similarly, employee values and preferences are increasingly

shaping both the work culture and the physical workspace due to increasing demands for work-life effectiveness, work schedule flexibility and opportunities to work remotely, often at home (Pregnolato, Bussin, and Sletcher 2016). With an increasingly competitive environment for talent and with unemployment hovering near 4% (Bureau of Labor Statistics 2018), employers likely will feel compelled to cater to individual employee rewards preferences and expectations for more personalized workplaces and schedules.

Not only has work been transformed and the workforce become more diverse, but the employer-employee relationship also has changed. Independent contractors, part-time workers, temporary workers and consultants have become viable alternatives to the traditional regular full-time employee who works 40 hours per week. Many standard work arrangements have changed in the face of a more transient workforce (Cappelli 2013).

Ulrich and Dulebohn's (2015) research postulates changes to human resources into a more strategic role as work continues to change, but they do not include specific ways that rewards professionals must adapt. Since our last study, we have found no systematic considerations of how employees will be rewarded according to these changes (Scott, McMullen and Larson 2017).

The previous study by Scott et al. (2017) used structured interviews with senior rewards and HR leaders at 12 Fortune 500 companies to learn how work and rewards strategies, policies and programs were expected to change in the next five to 10 years. This study (see "Study Methodology") builds upon previous research to learn how a much larger cross-section of rewards leaders envision how the following factors will reshape the way work is done and influence total rewards:

- Changes in technology
- Shifts in consumer demand
- Changes in pay preferences

STUDY METHODOLOGY

The survey instrument design was a collaborative effort among researchers at Loyola University Chicago specializing in rewards studies and a WorldatWork's research team. A total of 210 WorldatWork members completed the survey between Oct. 25 and Nov. 27, 2017.

Respondents represented organizations ranging in size from fewer than 100 to more than 100,000 employees, with earnings ranging from less than \$600 million (35%) to more than \$1 billion (54%). Additionally, responses came from rewards leaders in varying industries, with nonchemical manufacturing (15%), consulting professionals (11%) and finance and insurance (10%) representing the three largest segments.

Most participants (74%) indicated that more than 80% of their workforce is employed full time, with many respondents reporting that less than 20% of their workforce works part time (90%), is temporary or seasonal (98%) or includes independent contractors (96%). Most organizations reported turnover comparable to or below industry norms (60% and 27%, respectively). Most respondents indicated that their financial and operational performance was above (28%) or comparable to (64%) industry norms.

- Ability to measure quality and quantity of work
- Availability of talent
- A more transient workforce.

Those total rewards changes will come in areas such as base pay, incentive pay, quality and variety of employee benefit programs, flexible work schedules, work from remote locations, and employee development and career opportunities.

Now more than ever, companies must leverage their HR departments to maintain a competitive advantage in the battle for talent. Interviews with HR and rewards professionals (Scott et al. 2017) indicate there is mounting pressure to recruit and retain diverse talent to keep up with continuing developments in the workplace. The research is designed to help rewards professionals better understand how shifts in employee preferences, the marketplace, technology and customer demands will affect rewards strategies, programs and practices.

OVERALL FINDINGS

Table 1 shows the extent to which changes in technology, customer demand, the marketplace, pay preferences, ability to measure the quality and quantity of work, availability of talent and a transient workforce will affect work. Rewards leaders think technology will have the most influence on how work will be performed in the future; 65% of those surveyed responded either “to a great extent” or “to a very great extent.” Availability of talent and customer shifts in demand for services and products also are expected to have substantial influence (56% and 46%, respectively). Table 1 also shows that respondents thought that employee pay preferences and a more transient workforce will have the smallest effect on work, with 45% and 31%, respectively, stating that these factors will reshape work to a limited extent or not at all.

Overall, the largest percentage of respondents expected labor costs to decrease. 37% of respondents said they believe that technology will reduce or greatly reduce total labor costs; 21% indicated that changes in the ability to measure the quality and quantity of talent would have a similar effect. Fifteen percent said that shifts in customer demand would reduce total labor costs, and 13% responded that changes in the marketplace would as well. Interestingly, these percentages do not reflect a consensus. In fact, there is considerable disagreement as to the effect these changes will have.

Of note, participant responses varied dramatically when considering individual factors, such as technology and the ability to measure the quality and quantity of work, or the extent to which change will broadly reshape the way work is done. Furthermore, as shown in subsequent tables, rewards professionals reported believing that factors that will transform work also will have varying degrees of influence on rewards programs and practices.

TABLE 1 Impact of Technology, Availability of Talent, Shifts in Customer Demand Markets, Transient Workforce and Pay Preferences on Work

Question	Mean	Standard Deviation	Not at All	To a Limited Extent	To Some Extent	To a Great Extent	To a Very Great Extent
To what extent will technology reshape the way work is done during the next 5 years? (N=210)	3.8	0.82	1%	5%	29%	47%	18%
To what extent will the availability of talent reshape the way work is done during the next 5 years? (N=209)	3.7	0.85	0%	8%	36%	39%	17%
To what extent will shifts in customer demand for services and products reshape the way work is done during the next 5 years? (N=209)	3.4	0.92	2%	12%	40%	34%	12%
To what extent will shifts in the marketplace reshape the way work is done during the next 5 years? (N=208)	3.3	0.89	2%	17%	42%	31%	7%
To what extent will the ability to measure the quality and quantity of work reshape the way work is done during the next 5 years? (N=209)	3.0	1.01	8%	23%	41%	23%	7%
To what extent will a more transient workforce reshape the way work is done during the next 5 years? (N=210)	2.9	1.04	11%	20%	43%	20%	6%
To what extent will shifts in pay preferences reshape the way work is done during the next 5 years? (N=210)	2.6	0.96	14%	31%	40%	14%	2%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

TECHNOLOGY

Most respondents reported the belief that technology will moderately reduce the number of employees needed to produce a comparable output or service in the next five years. (See Figure 1.) In fact, 56% of participants reported that they expect technology will reduce the number of necessary employees by less than 5% or not at all, and 33% of respondents said they expect to see a change of 6% to 15%. Only 12% of professionals surveyed reported expecting to see a reduction greater than 15%. While this result may reassure employees as to the stability of employment, a 6% decrease in the amount of work available is still a sizable difference and may create a larger displacement — especially if the jobs retained require different capabilities based on the influence of technology.

Additionally, technology is expected to have a substantial effect on employee development, career opportunities and flexible work schedules. (See Table 2.) Seventy-three percent of participants reported that technology will increase or greatly increase development opportunities, and 68% reported that an increase in flexible work schedules also will result. Technology also has the most dramatic effect on reduced labor costs when compared with other factors, as 37% of respondents indicated that costs will be reduced or greatly reduced and only 15% of respondents said they believe that technology will increase labor costs.

However, the response was different when the effect of specific rewards programs was considered. Less than 5% of respondents said they believe technology will decrease base pay,

incentive pay, quality and variety of employee benefits programs, flexible work schedules, work from home and employment development and career opportunities. Furthermore, respondents expected technology to increase base pay (40%), incentive pay (42%), quality and variety of employee benefits programs (48%) and work from home (62%).

The obvious discrepancy between overall reduction in labor costs and the increase in specific rewards programs alludes to the effect of fewer but more highly paid employees. Interestingly, a sizable percentage of respondents reported that there will be little effect on total

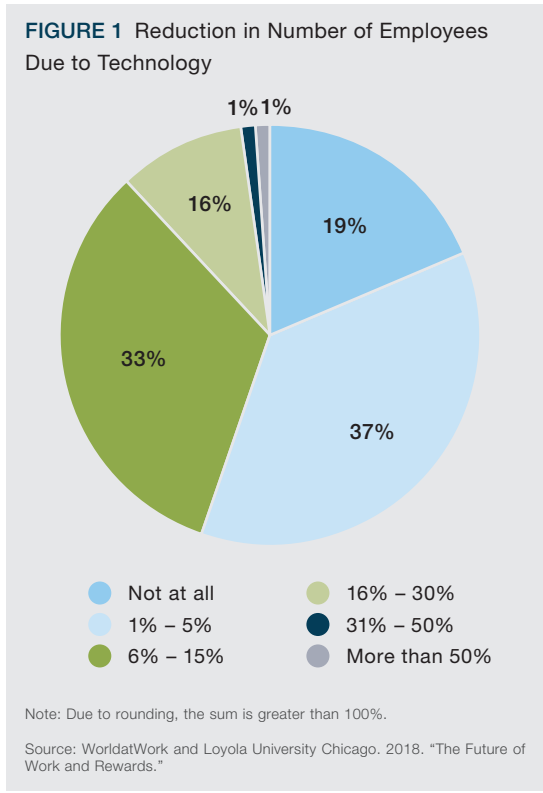


TABLE 2 Impact of Changes in Technology on Rewards Programs

How will the changes in technology influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=201)	2.8	0.74	1%	36%	48%	13%	2%
Base pay (i.e., wages or salaries) (n=198)	3.4	0.58	0%	5%	55%	40%	1%
Incentive pay (n=178)	3.4	0.62	0%	5%	54%	39%	3%
Quality and variety of employee benefit programs (n=200)	3.5	0.63	0%	3%	50%	43%	5%
Flexible work schedules (n=202)	3.8	0.68	0%	1%	32%	53%	15%
Work from home or other nonemployer locations (n=192)	3.8	0.74	0%	2%	36%	46%	16%
Employee development and career opportunities (n=202)	3.8	0.65	0%	3%	24%	62%	11%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

labor costs (48%), base pay (55%), incentive pay (54%) and the quality and variety of employee benefits programs (50%). Changes because of technology are likelier to increase flexible work schedules, work from home and employee development opportunities, as previously mentioned.

SHIFTS IN CUSTOMER DEMAND FOR SERVICES, PRODUCTS AND THE MARKETPLACE

Customer demand for services and products was not one of the factors initially reported to have a dramatic effect on total rewards (Table 1), but there are some notable effects on rewards that respondents foresee. Table 3 shows that shifts in customer demand will have the greatest effect on employee development and career opportunities, as more than half (60%) of participants reported that these shifts will increase or greatly increase employee development opportunities. Apart from employee development and career opportunities, flexible work schedules and work from home, most respondents said they believe that either costs or use of rewards programs that were listed would remain about the same (52% to 66%) or represent a moderate increase (32% to 41%).

Respondents did not rate changes in the marketplace as one of the major factors that would have a primary effect on work. Yet, Table 4 depicts many respondents' belief that shifts in the marketplace will increase or greatly increase flexible work schedules (56%) and employee development and career opportunities (60%).

TABLE 3 Impact of Shifts in Customer Demand on Rewards Programs

How will shifts in customer demand for services and products influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=191)	3.2	0.69	0%	15%	52%	32%	1%
Base pay (i.e., wages or salaries) (n=190)	3.3	0.55	0%	3%	61%	35%	1%
Incentive pay (n=176)	3.4	0.61	0%	2%	57%	37%	4%
Quality and variety of employee benefit programs (n=190)	3.3	0.55	0%	1%	66%	30%	3%
Flexible work schedules (n=193)	3.6	0.66	0%	2%	46%	44%	8%
Work from home or other nonemployer locations (n=182)	3.6	0.71	0%	3%	48%	39%	10%
Employee development and career opportunities (n=193)	3.7	0.64	0%	2%	38%	53%	7%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

TABLE 4 Impact of Shifts in the Marketplace on Rewards Programs

To what extent will shifts in the marketplace influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=195)	3.3	0.75	1%	12%	46%	38%	4%
Base pay (i.e., wages or salaries) (n=195)	3.5	0.59	0%	3%	50%	44%	2%
Incentive pay (n=180)	3.5	0.6	0%	2%	49%	45%	4%
Quality and variety of employee benefit programs (n=196)	3.4	0.58	0%	2%	58%	38%	3%
Flexible work schedules (n=195)	3.7	0.67	0%	1%	43%	46%	10%
Work from home or other nonemployer locations (n=187)	3.6	0.71	0%	2%	46%	42%	11%
Employee development and career opportunities (n=196)	3.7	0.67	0%	2%	40%	49%	9%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

However, for the most part, respondents said they believe that costs or use of these programs will remain about the same (40% to 58%) or increase (40% to 58%).

PAY PREFERENCES

Although changes in pay preferences did not have as big an effect on work as other factors, Table 5 shows that respondents still expect rewards preferences to have an effect on multiple pay practices. Changing pay preferences are expected to result in increased career development opportunities (57%), increased flexible work schedules (56%), increased quality and variety of employee benefits (55%), increased work from home (54%) and increased incentive pay (55%). However, rewards professionals were not as likely to foresee an increase in total labor costs (29%) or base pay (35%).

ABILITY TO MEASURE THE QUALITY AND QUANTITY OF WORK

The extent to which respondents see the ability to measure the quality and quantity of work as influencing total rewards will be most evident in creating a major increase in incentive pay (55%) and employee development and career opportunities (51%). (See Table 6.) The reason behind this could be that employers increasingly will have the means to understand for which behaviors to incentivize employees to do well in their roles. As employers become more able to measure the quality and quantity of work, they may gain some insights into how to pay

TABLE 5 Impact of Pay Preferences on Rewards Programs

To what extent will shifts in pay preferences influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=183)	3.2	0.59	0%	9%	62%	28%	1%
Base pay (i.e., wages or salaries) (n=184)	3.3	0.6	0%	5%	60%	33%	2%
Incentive pay (n=172)	3.6	0.68	0%	4%	41%	48%	7%
Quality and variety of employee benefit programs (n=184)	3.7	0.68	0%	1%	44%	45%	10%
Flexible work schedules (n=185)	3.7	0.73	0%	2%	42%	42%	14%
Work from home or other nonemployer locations (n=181)	3.7	0.76	0%	2%	45%	38%	16%
Employee development and career opportunities (n=189)	3.7	0.7	0%	2%	42%	45%	12%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

TABLE 6 Impact of Ability to Measure the Quality and Quantity of Work on Rewards Programs

To what extent will shifts in the ability to measure the quality and quantity of work influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=188)	3.0	0.67	1%	20%	56%	23%	0%
Base pay (i.e., wages or salaries) (n=191)	3.3	0.5	0%	3%	71%	26%	1%
Incentive pay (n=179)	3.6	0.64	0%	3%	42%	50%	5%
Quality and variety of employee benefit programs (n=191)	3.3	0.54	0%	1%	71%	25%	3%
Flexible work schedules (n=187)	3.5	0.71	0%	2%	57%	31%	11%
Work from home or other nonemployer locations (n=184)	3.5	0.74	0%	2%	57%	29%	13%
Employee development and career opportunities (n=192)	3.6	0.7	0%	1%	48%	40%	12%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

employees to obtain the level of productivity they are seeking. This may be reflected in the responses for employee development and career opportunities. A better understanding of what constitutes high-quality work performance may encourage investment in employee development.

AVAILABILITY OF TALENT

As shown in Table 1, 56% of respondents reported the belief that availability of talent will have a great or very great effect on the way work is done in the next five years, but that technology will have a substantially greater impact (65%). However, as shown in Table 7, respondents think that talent availability will have the greatest effect (increase or greatly increase) on flexible work schedules (71%) and employee development and career opportunities (80%) than technology and all other factors.

As might be expected, the availability of talent is also believed to have the most dramatic effect on total labor costs and base pay. Eighty-one percent of respondents reported that the availability of talent will increase or greatly increase base pay, and 74% indicated a belief that it will have a similar effect on total labor costs. These percentages indicate that the availability of talent will have a stronger effect on most rewards programs than any other factor. This implies that, as talent becomes scarce, rewards professionals predict that companies will

TABLE 7 Impact of Availability of Talent on Rewards Programs

To what extent will shifts in the availability of talent influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=202)	3.8	0.65	0%	5%	21%	67%	7%
Base pay (i.e., wages or salaries) (n=202)	3.9	0.58	0%	2%	17%	71%	9%
Incentive pay (n=192)	3.8	0.63	0%	2%	24%	64%	10%
Quality and variety of employee benefit programs (n=204)	3.8	0.66	0%	2%	29%	58%	11%
Flexible work schedules (n=199)	3.9	0.71	0%	1%	28%	51%	20%
Work from home or other nonemployer locations (n=193)	3.9	0.75	0%	2%	31%	48%	20%
Employee development and career opportunities (n=202)	4.0	0.66	0%	1%	19%	59%	20%

Source: WorldatWork and Loyola University Chicago. 2018. "The Future of Work and Rewards."

have to invest more money into individual rewards measures for recruitment and retention of key talent.

A TRANSIENT WORKFORCE

As indicated in Table 1, participants expect a transient workforce to have the smallest effect on the way work is performed, with only 26% claiming it will reshape work to a great or very great extent. Table 8 shows the effect of an increasingly transient workforce on employee flexible work schedules (58%) and ability to work from home or other nonemployer locations (56%). The extent to which a more transient workforce will increase total labor costs (45%), base pay (41%), incentive pay (40%) and quality and variety of employee benefit programs (39%) is moderate.

CONCLUSIONS

The current study is built upon trends reported in author Dow Scott's previous 2017 study on the "Future of Work and Rewards." In the structured interviews, rewards leaders identified several factors that they believed would affect work and rewards practices in the next five years. The expanded study of rewards leaders also found that these factors would reshape the way work is done in the next five years and, subsequently, affect total rewards practices. In the previous study, 74% of rewards professionals reported that it was important to determine the

TABLE 8 Impact of Transient Workforce on Rewards Programs

To what extent will a more transient workforce influence total rewards?	Mean	Standard Deviation	Greatly Reduce	Reduced	Remain About the Same	Increased	Greatly Increased
Total labor costs (n=189)	3.4	0.72	0%	11%	45%	41%	3%
Base pay (i.e., wages or salaries) (n=185)	3.3	0.68	0%	10%	49%	40%	2%
Incentive pay (n=177)	3.4	0.66	0%	6%	54%	36%	4%
Quality and variety of employee benefit programs (n=188)	3.4	0.69	1%	6%	54%	36%	3%
Flexible work schedules (n=190)	3.7	0.7	0%	2%	41%	46%	12%
Work from home or other nonemployer locations (n=186)	3.7	0.7	0%	2%	42%	45%	11%
Employee development and career opportunities (n=192)	3.5	0.78	1%	8%	44%	40%	8%

Source: WorldatWork and Loyola University Chicago, 2018. "The Future of Work and Rewards."

requirements to attract, engage and retain talent for their companies (Scott et al 2016). In the current study, we were able to learn the extent to which these drivers of the changes in work would affect specific aspects of pay, greatly expanding our understanding of how work will shape pay practices.

This study found a sizable discrepancy between how participants responded to the ways each of the examined factors will reshape work in the next five years and how participants responded to the ways in which each of these factors will affect specific rewards practices. For example, only 1% of respondents reported believing that technology will not change the way work is done at all in the next five years. Yet, many respondents indicated that total labor costs (48%), base pay (55%), incentive pay (54%) and the quality and variety of employee benefit programs (50%) will remain about the same despite technological advances. This difference could imply that rewards professionals anticipate that technology, market changes, talent scarcity and pay preferences will significantly affect the way work is done, yet there will be substantially less impact upon rewards practices.

On average, employee development and career opportunities were the benefits expected to be most affected by changes in work and rewards. As few as 19% asserted that these will remain about the same in light of changes of the availability of talent and, at most, 48% of respondents reported that these will remain about the same despite changes in the ability to measure the quality and quantity of work. Flexible work schedules were the second-most likely to be affected by changes in work. At its lowest, 28% of respondents expected this factor to remain unchanged in the face of changes in the availability of talent and, at most, 46%

of respondents expected this to remain the same despite changes in customer demand. This could indicate that rewards professionals expect that work schedules will be the easiest to change or that changes in these will be most demanded by the workforce.

The two rewards measures least likely to be affected by changes in work are quality and variety of benefits programs, followed by incentive pay. As many as 71% of respondents expected the quality and variety of benefits programs to remain unchanged despite changes in the ability to measure the quality and quantity of work. Sixty-six percent indicated that these programs will not change despite fluctuations in customer demand. Base pay was largely expected to remain the same as well. Seventy-one percent of respondents reported expecting base pay to remain unchanged despite changes in the ability to measure the quality and quantity of work, and 60% responded that base pay will not change much despite changes in pay preferences. The data imply that these might be the most fixed aspects of employer rewards programs or that rewards professionals are not seeing employees asking for changes in these measures. Either way, employers are largely expecting that these factors will remain stable despite changes in work. ■

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