SSEE UNIVERSITY OF OXFORD

ZURICH

Shaping a brighter world of work

The employer outlook

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Introduction

Introduction

The statement 'The world of work is changing' was already true at the beginning of 2020, but it is even more meaningful in today's post-COVID-19 world. At the time of writing, more than half the world's population is or has been under some form of lockdown, restricting or curtailing their ability to work outside the home – let alone travel any distance for business reasons. Health and safety fears seem likely to curb mobility for the foreseeable future. The resulting dramatic economic slowdown has sparked fears of a recession worse than that experienced in the aftermath of the global financial crisis of 2008 – in other words, the worst since the Great Depression nearly a century ago.

Already millions of jobs have been lost: according to the International Labor Organization (ILO), in the second quarter of 2020, this amounted to the equivalent of 400 million full-time jobs worldwide. Meanwhile, a wide range of industries, including retail, aviation, hospitality, tourism, and entertainment, have been profoundly damaged by the pandemic.

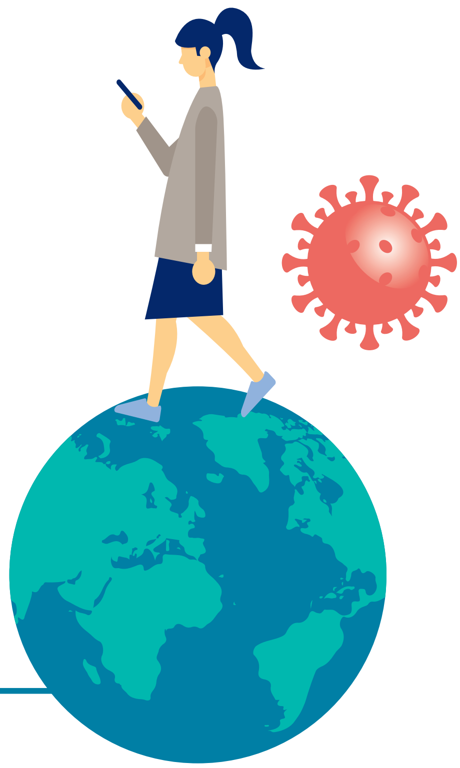
With such deep and lasting changes to both the economic landscape and the nature of so many occupations, workers and their employers are facing new sets of challenges. As discussed more in-depth in the Zurich-Oxford global publication, 'Shaping a brighter world of work: The case for a new social contract', COVID-19 distributes risk across entire populations, and has exposed significant shortcomings in some countries' public health and welfare systems. Moreover, while those whose work can be done remotely may have experienced newfound gains in productivity and flexibility, they may also be facing challenges to their mental health and social wellbeing as they adjust to the erosion between their domestic and professional lives.

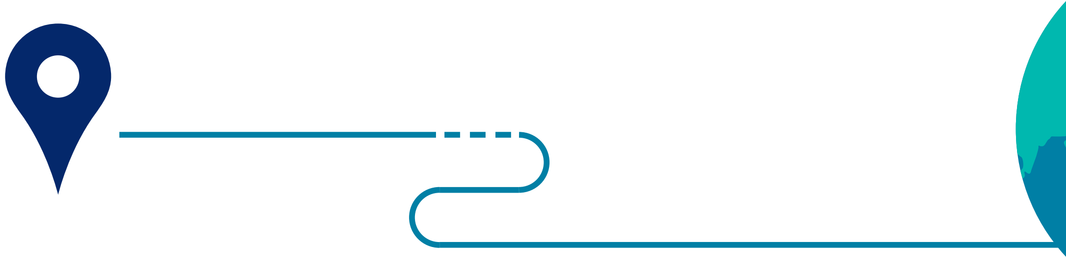
Those whose jobs cannot be done remotely are at risk of mental, social, and financial wellbeing challenges, including stress and burnout, to say nothing of health and safety risks they are facing. And, some workers at risk of losing, or who have already lost, their jobs due to the economic slowdown may face the prospect of long-term unemployment, especially if they do not update their skills and expertize for the new post-pandemic world of work.

As Zurich-Oxford research highlighted before COVID-19, the burden of this challenging landscape increasingly falls on the individual. Yet, we know that workers alone are not and cannot be the only actors who must be agile and adaptive to change. Companies, with ambition to be or sustain their status as employers of choice, must also take on significant responsibility for adapting their insurance and related benefits offerings to their employees' evolving needs.

As well as what we might conventionally think of as benefits – pensions, life insurance, and other financial, non-salary remuneration – this can also include social, mental, physical, and financial wellbeing initiatives as well as continuing education to develop skills and mindsets for the future. Indeed, insurance and benefits have a key role to play in ensuring that workers have the financial security and peace of mind to realize their potential as they face even greater financial risks such as *earnings gaps, changes in salary levels, loss of benefits, and pension savings shortfalls*. Insurance and benefits therefore are a crucial part in ensuring that workers have the financial security and peace of mind to realize their full potential.

In this report, we ask what role employers can play in helping workers navigate these challenges while also adapting to ongoing changes in the world of work.





Methodology behind the Zurich-Oxford research

Zurich Insurance Group and the Smith School of Enterprise and the Environment at the University of Oxford are examining the potential for lifelong, tailored, contemporary social protection under a three-year research program.

This program builds on the success of the Income Protection Gaps project, a three-year research collaboration (2015-2018) focused on shortfalls in earned household income due to disability, illness, or the premature death of the main wage earner. Our current Agile Workforce Protection project (2018-2021) takes place in three phases, with results published at key points:

- An initial exploration of the trends and drivers underlying changes in the world of work (November 2018)
- The preliminary and more in-depth results of a survey of the working-age population in 17 countries across five continents (June and November 2019)
- Emerging trends in a post-COVID-19 world of work, and how key stakeholder groups can shape this new world of protection (October 2020)
- Country-by-country overview (May 2021)

The impacts of COVID-19 have exacerbated many of the vulnerability's workers have long faced. Our updated research program includes observations about these vulnerabilities, and about the nature and scope of the changing world of work. It is informed by detailed insights and justified implications supported by original data. We take care to acknowledge the continuing significance of national context: as much as the themes in our research have global importance, local variation is often highly significant.

The foundational insights of the report draw on the bespoke quantitative and qualitative research listed below, which was executed over a period of 15 months:

A survey of employers across six countries (Australia, Brazil, Germany, Spain, Switzerland, and the UK); targeted at heads of HR and/or benefits at 1200 medium and large companies (conducted in January and February 2020); aimed at establishing through more than 50 questions key insights on issues such as recruitment, retention, the advice and education of employees, and the role of employers in providing pensions, savings and insurance.

A survey of consumers across 17 countries (Australia, Brazil, Finland, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Portugal, Romania, Spain, Switzerland, the UAE, the UK, and the USA) of over 19,000 working individuals age 20-70 (conducted in March 2019, with the exception of Portugal [May 2019] and Finland [February 2020]); aimed at establishing through approximately 100 questions individuals' current work situation, concerns about automation, attitudes towards retraining, and financial situation.

In-depth interviews with a group of 14 heads of employee benefits or risk managers at major corporations with activities in a diverse set of industries and with operations locally and globally (completed in summer 2019 and again in May 2020).

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The role of human resources as a key driver of the future of work

The pandemic has reinforced for many companies just how much they rely upon employees for their commitment to the company and ultimately labor productivity. This in turn points to the importance of the Human Resource (HR) and compensation & benefits functions. The role of the HR function is a key driver in defining how work is experienced, how it is done and how the workforce evolves. Some corporate HR programs, as part of companies' compliance and standards operations, have historically been focused on benefits and wages. Now, rapid and effective adaptation to new post-COVID-19 realities have made HR functions central to corporate strategy to build back better. As businesses seek more holistic strategies to prepare for the future of work, CEOs are turning increasingly to the human resources function. HR professionals are finding themselves at the front line of helping their organizations and leaders to drive technology absorption, foster innovation, enable new work models and, ultimately, attract, retain and develop the workforce of the future. This importance will continue to grow post-COVID-19 as issues such as the management of different types of talent, investment in technology, and workforce wellbeing – particularly in a world of hybrid remote/on-site working – have come to the fore.

For some companies, this type of integration was already in place, or had been mooted as one way of accommodating accelerating change. COVID-19 has brought forward the future such that HR can have a greater influence in the shaping and implementation of corporate strategy, and in coping with and adapting to the post COVID-19 world. Notably, not every company will think that this is a desirable strategy. In some companies, exposed to a very harsh global competitive environment, they may well seek to discount the cost of labor by relying more heavily on outsourcing, including to freelance and gig workers.

This does not necessarily remove the need for conventional HR functions. Rather, HR itself may well take on a wider range of different functions, especially as companies seek to build an integrated response to the present crisis and looming competition over the next five years. In addition, closer collaboration with other company functions (e.g. risk management and finance) as well as external stakeholders (e.g. advisers and providers) will be needed. Both the capacity and expertize of HR functions will consequently need to be reinforced.

Not least, this will mean meeting the challenge of shaping and implementing HR policies across jurisdictions. Even at the best of times, as our qualitative research showed, there is a clear tension between corporate objectives and competitive strategy on one hand and local implementation on the other. On one hand, some companies interviewed saw national rules and regulations as enabling innovation whereas most others saw constraints on innovation in terms of workforce management and benefits. It is up to local HR professionals to identify key issues and implement the company's HR policies based on local conditions. While companies aim to have integrated HR processes and incentive systems, they must ultimately honor national systems of employment, benefits, and job tenure.

In order to advance a progressive HR agenda internally, companies could look outside their organization to international platforms such as the World Economic Forum as audiences for endorsement. These types of organizations create a public image of progressive engagement which requires the realization of that public image via the actions of senior executives. By making a public pledge of best practice, companies can better hold themselves accountable to living up to that promise.

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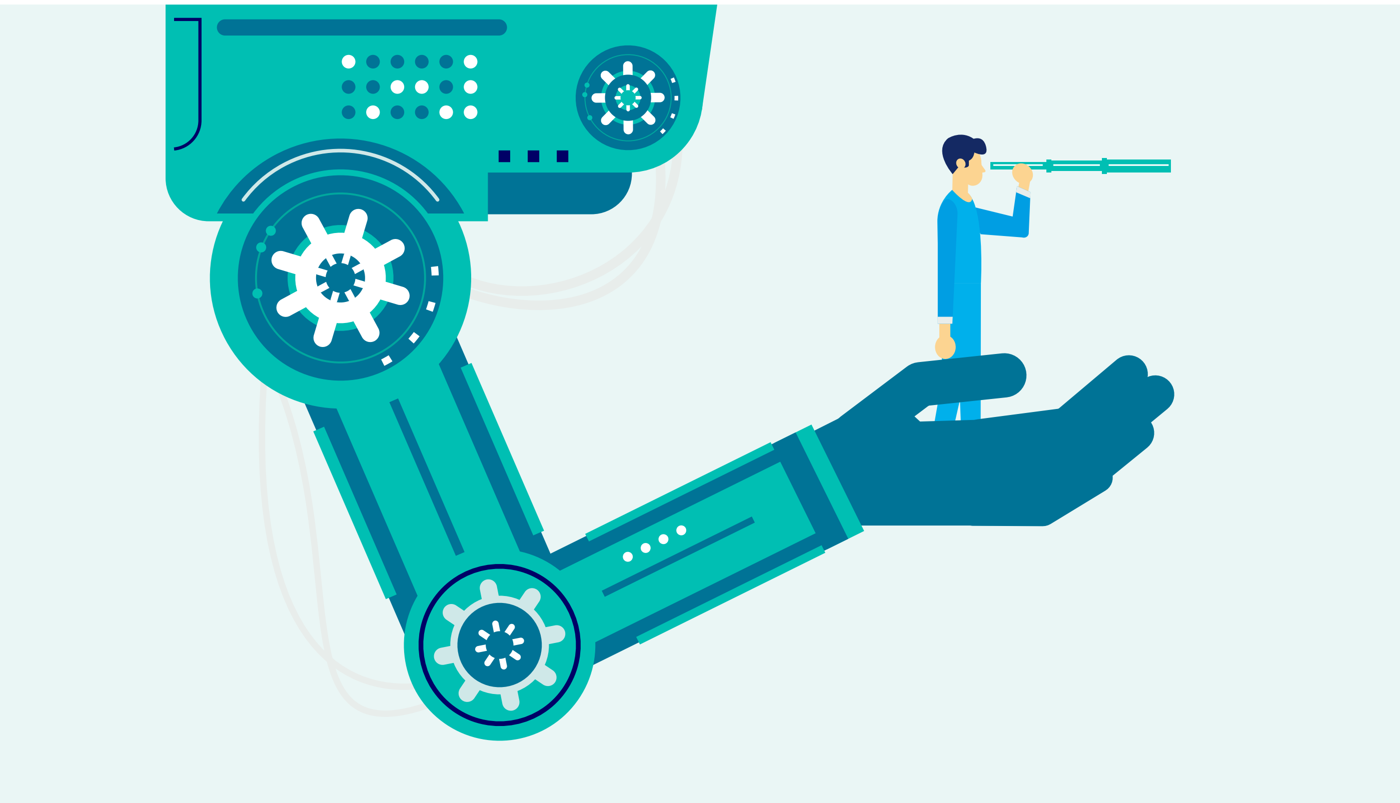

Sustainable recruitment and retention

In a post-COVID-19 world, there is a premium to be paid for those who can deal with turmoil and those who can deal with changes in the nature of employment roles and responsibilities. Even as the timelines to automate routine tasks and adopt technologies to complement or replace workers have accelerated, for higher-skilled jobs there will remain a 'war for talent' as was the case prior to the pandemic. In fact, COVID-19 has made the imperative for talent even more urgent. This is true both across organizations and inside them: Reskilling and redeployment will remain an important response to the need for skills in areas of high demand.

As technology replaces or complements many occupations, it will be two types of workers – those with high levels of technical skill who can work alongside machines, and those with good interpersonal skills who can satisfy a fundamental demand for a 'human touch' in many services – whose skills will be in high demand. This includes not just people who adapted well to the near-overnight shift to remote working, but particularly those who can work with and adapt quickly to digital technologies that enable remote working and events in support of social distancing. It also includes those with high levels of interpersonal and cognitive skills: creativity, adaptability, problem solving, and an ability to collaborate effectively. Healthcare and other 'caring' professions also stand to benefit tremendously from trends such as demographic aging – a trend that only seems more obvious as the world grapples with the effects of a pandemic on national health systems.

COVID-19 has made the imperative for talent even more urgent.

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We have also seen throughout the pandemic that society has treated this crisis first as one of health and safety, and only second as a business and economic problem. The leadership skills most in demand are no longer those which foster interpersonal and inter-organizational competition and prioritizing growth. Instead they include empathy, compassion, listening, and understanding: Skills that have often been labeled 'feminine' traits, as discussions around the perceived success of countries with female heads of state in dealing with the pandemic have demonstrated. At the highest levels of an organization, these traits will retain their enhanced importance in a post-COVID-19 world.

Our survey research gives some indication of what this implies for companies and HR managers. In our employer survey, 62% of HR managers said that over the previous 3-5 years recruiting employees had become a challenge. They adopted several strategies:

- **Offering a salary premium to new hires** was a common coping strategy for recruiting talent. Nearly two-thirds (64%) of companies reported that over the past 3 – 5 years, they had to offer a premium on their standard salary to attract new employees. A similar proportion reported that they had to offer a premium on the industry's standard salary for the same reason.
- **A collective salary agreement** was considered to be the top determinant of the starting salary of newly hired employees (either national or otherwise). 30% of companies said so, followed by the salary level of similar employees in the firm (26%) and the skills and experience of a newly hired employee (16%). Only 12% of companies felt that the salary of similar workers outside the firm was the most important factor, while only 11% cited the availability of workers with similar characteristics in labor market.
- **An increasing reliance on freelancers or gig workers** was another coping strategy for many companies. Two-fifths of those in our survey said they had hired more freelancers over the previous 3-5 years to fill skills shortages. Although this can be beneficial for the short-term income needs of workers, freelancers were found to be among the most vulnerable to income protection gaps in our research.

This last point touches on a persistent theme in our research in both The Income Protection Gaps (IPG) and Workforce Protection projects: The prevalence of 'alternative' work arrangements. The deregulation of labor markets has led to a greater variety in flexible work arrangements, which are usually excluded from social protection schemes. Their importance varies by country, reflecting in part post-World War II industrial development as well as the global reach of many large corporations. In this case, the increasing reliance on freelance labor seen in our survey may stem from companies' difficulty in competing for specific types of skills.

Although companies do increasingly rely on variable employment contracts, more part-time employees, and in some cases temporary employees, our qualitative research suggests that HR managers rely on significant amounts of freelance labor reluctantly. This is because they can't rely upon these types of employees when it comes to implementing competitive strategies that require organization-wide commitment.

Nonetheless, there is no evidence that a shortage of these types of skills will be remedied in the near future. At the same time, COVID-19 has exposed the fragility of freelance contracting arrangements for many types of workers while further enhancing their more appealing aspects to companies trying to contain costs. Freelancing was valued by many workers as a ticket to flexibility and career growth, albeit at the expense of stability and certain employer-sponsored benefits. Time will tell whether these same people will now place greater value on the security of more traditional working arrangements. On the other hand, if unemployment insurance and pooled, lower-cost benefits could be made available to freelance and gig economy workers as part of a new social contract, then the stark divide between working inside and outside of an organization would become an outdated idea.

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What's next for remote working?

The topic of remote working is front and center of discussions about the post-COVID-19 organization and the future of work. While it was not part of our original research agenda, we would be remiss not to give it due attention here: In very short order, working from home has become the new normal for those whose jobs allow them to do so. It presents opportunities for organizations able to adapt and guide their workforces accordingly.

The sudden forced transition to remote working has done a great deal to popularize flexibility. Surveys of workers carried out since the onset of COVID-19 show widespread support for increased remote working. For instance, in Australia, one survey showed that 81% of respondents are in favor of more widespread remote working once COVID-19-related restrictions are lifted, and about two-fifths of respondents had changed their mind about this issue since lockdown began. And a survey of tech workers in North America and the UK showed that about half had become more interested in remote work since the pandemic began, whereas less than 5% had become less interested.

Widespread anecdotal evidence from around the world strongly suggests that even the uptake of this option among older employees who had hitherto emphasized the importance of being in the office has been surprisingly rapid – something we also found in our own qualitative research.

A smooth adoption of technology has undoubtedly facilitated this transition. A survey conducted at the beginning of lockdown in the UK found that as employees transitioned to remote work, only 2% found the technology needed to conduct virtual meetings and coordinate tasks 'frustrating'. Such seamless adaptation would have been unthinkable just a few years ago given rapid advances in technology – and the general assumption that the scale and scope of change would require a much longer lead time to implement.

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Employers may have even more reason to view the normalization of remote working positively. One signal of this is that productivity in the US has increased since state-wide lockdowns began. Given longstanding concerns about 'presenteeism' this is an encouraging sign. Many organizations are now planning to make remote working a permanent feature of their operations. Three-quarters of US companies now plan to permanently move more than 5% of their staff to working remotely, with one quarter saying they would move at least 20% offsite permanently. For companies that were already built around a decentralized (albeit integrated) operating model, transitioning staff to remote working has provided an immediate comparative advantage.

None of this is to say that we are about to witness the complete demise of the office. Most obviously, for companies that require capital and equipment to produce products, working from home is not possible. Even for sectors built on cognitive capital, the agglomeration effects of having industrial clusters in a single city are what leads to greater creativity and innovation breakthroughs. However, advancements in communications technology could mean that the current mass experiment in remote working will prove successful where previous attempts have failed several times over the past 30 years. What we are more likely to see is a wide range of hybrid work arrangements, with the mix of on-site and remote working varying by organization, team, and individual.

The rise of remote working adds another dimension to the notion of "agile workforce protection," with new considerations for benefits frameworks. In particular, a number of wellbeing-related challenges will need to be adapted as remote working becomes a more permanent feature of the labor landscape.

New kinds of burnout are appearing.
Many workers are experiencing burnout from 'Zoom fatigue'. More generally, they face the perennial challenges of what has been called the simultaneous 'intensification' and 'extensification' of their work as the boundaries between domestic and professional life blurs. This is especially true for those with caring responsibilities. Many workers also feel uncomfortable asking for sick leave, further exacerbating burnout. From the perspective of both their mental health and their privacy, sales of software for monitoring remote employees' work activity have shot up. Managers will be the frontline responders to these issues; some may need to adjust their management techniques and expectations of their teams.

New social divides also risk opening up.
One is the digital divide between those with broadband and IT 'haves' and 'have-nots', similar to what we are witnessing in education. It would seem that making good on working from home depends upon the electronic and technological infrastructure binding the office with its employees outside of the core company location. In some cases, this infrastructure was already effectively in place and could allow operations to continue more or less seamlessly; in others it can require significant investment. Crossing countries and continents can be challenging given that this kind of infrastructure varies greatly by jurisdiction and country.

Labor mobility could remain low for some time.
Given that cross-border labor mobility has been all but curtailed given COVID-19-related travel restrictions, there is a great deal of uncertainty surrounding when and how closely labor mobility will approach pre-pandemic levels. It is possible that remote work will compensate at least to some extent for this loss of freedom of movement. It is likely that if a job can be done remotely, competition for it will increase since companies can cast their net widely for talent in terms of geography. The clear risk here is that a new wave of globalization in some segments of the labor market will depress compensation levels at precisely the time when many workers are struggling to make ends meet. What may compensate for these risks is that remote workers lack the social capital – that is, the interpersonal connections and institutional knowledge that come from working in an organization for some time – that may be deemed essential for success in an organization, so employers may in some cases be reluctant to rely too heavily on this type of labor. All of these sources of uncertainty will affect workers' stress levels and mental health.

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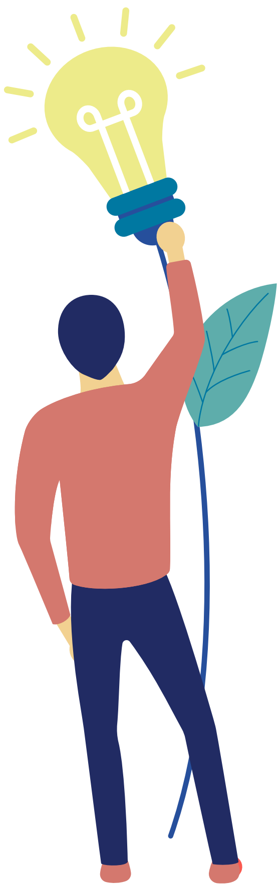
Building social capital will be a challenge.
A notable intergenerational challenge will hit 'Generation Great Lockdown' – the newest entrants into the labor force from Generation Z. One reason the transition to remote working has been so successful is that most workers have accumulated sufficient social capital at their current organizations to operate at a distance from their colleagues. Those new to their roles may have greater difficulty integrating and building trust – regardless of their age, but particularly if they are new to the world of work. Likewise, for those who have been with their organizations for some time, it may be more challenging to build the social capital necessary for cross-functional collaboration or to try out new roles.

Benefits must adapt at precisely the time when workers need them most.
History shows that many companies tend to use teleworking as a pretext for hiring staff as independent contractors, thereby giving up responsibility for providing them with benefits. While this shift towards 'alternative' contractual arrangements may in a sense be inevitable, it highlights a need to clarify and strengthen the status and entitlement of freelance and temporary workers.

But the flexibility of remote working should be regarded as a "benefit" too.
Before the pandemic, having the control over where, when, and how they worked was often more valuable to employees than financial compensation. This should be factored into the "race for talent" so often referenced in our interviews. Organizations that innovate in the ways they give more control to their workforce over their working conditions may save a premium in other areas – not just obvious ones such as office rents, but also in terms of staff turnover and salary premiums.

Remote working is only one of many flexible work options that workers may desire.
Remote working was imposed very widely due to COVID-19, but it was already (albeit slowly) gaining in popularity, at least on a part-time basis. In addition, greater use of part-time and compressed work weeks, flexible start and end times, job-sharing, rotational schedules, and similar measures may all contribute to workforce protection – and the resiliency of any organization in the future.



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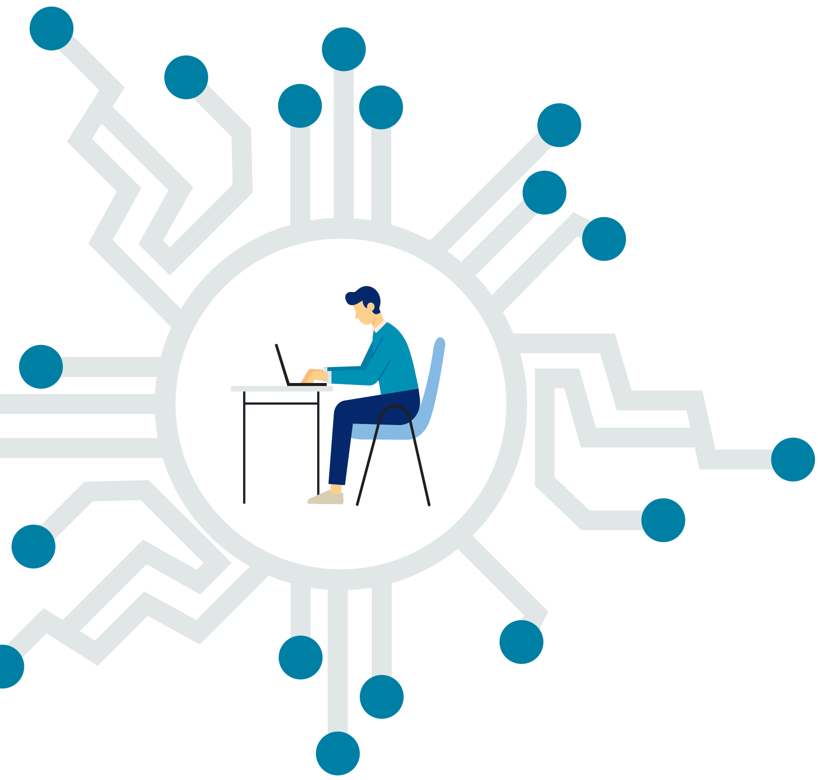
The acceleration of digitization brings both challenges and opportunities

Over the next five years, automation, AI, and related developments in technology will change both the number of employees needed in a given organization and the skills and expertize firms need to be competitive. There is ongoing debate as to whether COVID-19 will accelerate or dampen the pace of these kinds of innovation, specifically in the areas of automation and AI in companies' operations, and what the knock-on effects will be for employment. While automation should be a short-term measure to help companies cope with the shock of COVID-19, AI will have a greater impact on jobs the longer term:

COVID-19 will accelerate the spread of automation as companies seek to do more with less.
The experience of past recessions, especially the aftermath of the global financial crisis of 2008, suggests that automation will be adopted more rapidly as firms rethink their supply chains, the mix of skills their workforces need, and even numbers of employees. This is particularly true of routine process automation (RPA), which automates the simplest and most repetitive of tasks. This is a clear instance where lower-skilled, easily routinized tasks and jobs will be affected.

For companies experiencing reduced demand for their products over the foreseeable future while facing greater competition in product and consumer markets, a renewed focus on maximizing efficiency would be an obvious competitive advantage. Companies that had already made these types of investments can more easily accelerate or intensify them. For instance, some of the organizations we interviewed that had already committed to 12-18 month investment programs in automation before the onset of the pandemic are now looking to dramatically compress this timeframe.



But going forward, RPA will tend not to have further effects on employment levels.
As economic shutdowns began and the effects of the pandemic made themselves felt, many organizations did adopt RPA as a substitute for human labor (as a way to cut costs). This is widely regarded as a short-term measure: from now on, or at least for the foreseeable future, many organizations will simply prioritize introducing automation to replace workers who have already left, rather than shed more staff with the intention of replacing them with technology. More generally, RPA tends to impact employment for temporary and self-employed workers: that is, even at the best of times, it tends to affect outsourced rather than in-house labor.

The spread of AI, on the other hand, will be uneven in the short term.
In some industries, the flow of relevant data has slowed or halted, so the training and development of the technologies underpinned by this data have necessarily been suspended as well. In others, companies are temporarily curbing investment in research and development as they seek to cut costs. But still other companies that have experienced a surge in demand for their products and services will have the data and resources necessary to accelerate the development of their AI systems.

The medium-term effects of AI on employment will be more variable by industry.
Even before the onset of COVID-19, some companies were already clear about the ways in which they need to plan for these shifts. For instance, the finance firms we interviewed were very much aware of the role of technological change in financial markets and financial management. Others were reluctant to make forecasts (and corresponding investments) more than two years into the future given the pace and scope of technological change in their industry. Such organizations rely upon being adaptive in the medium term.

Social protections will be needed to protect workers with skills gaps.
The acceleration of AI and digitization also accelerates the need to reskill and upskill, but the pace of reskilling will inevitably lag the pace of technological change. Social protections and investment in education may need to be significantly increased to help fill this gap and avoid unintended and negative consequences to workers.

Has technology complimented
workers' skills in your company
the last 3-5 years?

Has technology substituted
workers' skills in your company
over the last 3-5 years?

Source: Zurich-Oxford employer survey, 2020

The reskilling revolution

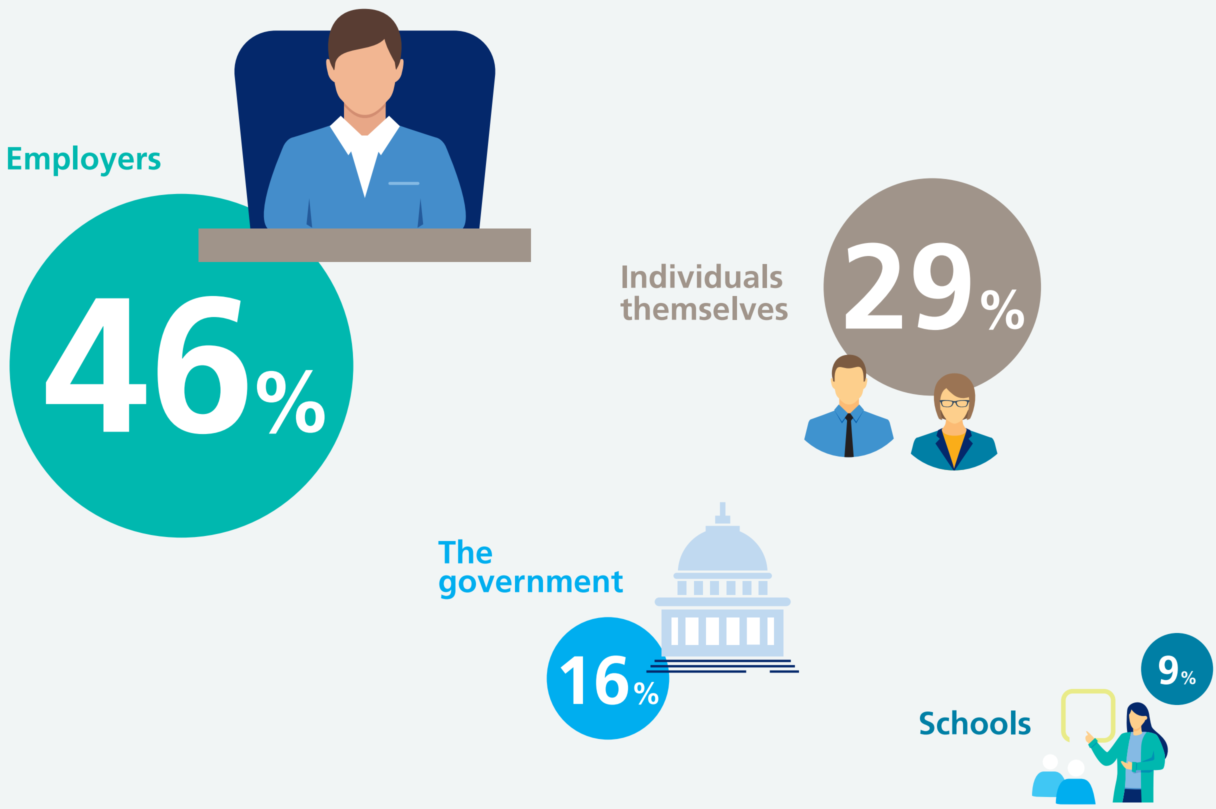
Of course, technological change can have profound implications for workers' careers as well as for their organizations. Continuous employee learning and development will be critical to ensuring both that individuals continually succeed in a changing world of work, and that organizations can draw on an adequate pool of skills and talent.

Few companies these days would say that employee skills and expertize are anything other than fundamental to the growth prospects of their organization. Even where capital stock is equally important – in large-scale production and industrial services – employee skills and expertize were deemed crucial for long-term competitiveness.

The companies we interviewed value vocational skills and expertize – skills that are either learned on the job, or immediately applicable to workers' tasks – while relying on educational qualifications as a screening device in sorting applicants for jobs.

Beyond this, what counts as employee skills and expertize varies a great deal across sectors, and sometimes between or even within companies in the same sector. For industrial corporations, skills are well-defined, measurable in terms of their impact, and subject to systems of management and technological innovations that lead to successive waves of up-skilling and reskilling. In service sectors, employee skill and expertize are harder to define. They could include, for example, being able to manage long-term relationships with consumers and clients converting what is often a dauntingly uncertain process of career change into a positive and fulfilling experience will be integral to developing models to support lifelong skilling.

***Who does your company think** is most responsible to make sure the workforce has the right skills and education to be successful and adapt to technological advances?*



Source: Zurich-Oxford employer survey, 2020

There is huge pent-up demand for skills development.
More than three-quarters of the respondents to one recent survey said that they would like to learn new skills to improve their employability. Our own research shows that some of this is driven by workers' concerns about technology. In our consumer survey, we found that 63% of workers were willing to sacrifice one evening of leisure time every week for six months to acquire new skills, although only 30% were worried that a machine or an algorithm could replace them in their job.

Those who most fear losing their job to automation are those who are already more likely to invest in further training to begin with: namely, those who already feel a sense of control in their workplace and those with higher levels of educational attainment. Conversely, low skilled workers appear to be less concerned about the threat of automation and are also more likely to lack a sense of autonomy in their roles. Overall, this disillusionment appears to translate into lower willingness to retrain. This suggests that (mis)perceptions of automation risks could perpetuate the tendency of low-skilled employees to be more "fatalistic" and less likely to "win" from technical change, thereby widening existing labor market inequalities.

Some intervention is required to inform people of both risks and opportunities.
Prior to COVID-19, the "race for talent" had further enhanced employers' appreciation of the importance of continuous development and retraining for workforce retention and skill diversity. Specifically, while many of the companies we interviewed had little knowledge of, or interest in, formal educational institutions, vocational training programs, or government-related training organizations, they instead consistently deemed on-the-job training to be fundamental to enhancing labor productivity. They recognized that there was a shortfall in available talented and experienced employees, and that therefore, they would have to do more with the staff they have in terms of skill enhancement.

That said, fewer than half of employers (45%) felt it was their (collective) responsibility for ensuring their workforce has the right education and skills to cope with technological advancements.

While many had introduced policies to encourage retraining, they were less committed to providing those facilities internally. More often they rely upon individual employees to identify relevant programs and then pay for them as required. For instance, nearly two-thirds (64%) of our survey respondents encouraged their employees to take government-sponsored retraining or adult education programs. Manufacturing firms may be an exception, with companies relying upon apprenticeship schemes paid for and administered by government agencies.

Workers and organizations have a very wide range of (re)skilling needs.
Corporate retraining programs typically have three dimensions: the provision of complementary skills, upskilling, and reskilling. The provision of complementary skills was recognized as something relatively simple to organize and manage across the organization. Upskilling is more challenging and involves assessing employees' willingness to retrain as well as determining the value added of doing so for the company. Reskilling is even more problematic in that a balance needs to be struck between simply terminating an employee who does not have the requisite skills or aptitude for new technology or persisting with that employee so as to reskill in preparation for a different job or a move to a different part of the organization.

The scope for collaboration to deliver these programs is also vast.
Few organizations can go it alone when designing and implementing reskilling initiatives. Companies are beginning to experiment with various types of partnerships: with governments, further education institutes, NGOs, learning platforms, and even other companies. Ultimately, the goal of these programs and partnerships should be to improve people's overall employability: reskilling is just one element that leads to a successful career transition. The optimal model will deliver continuous training and education throughout workers' careers.

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CHAPTER 3

Building better protection

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The future of insurance and benefits

COVID-19 has exposed significant shortfalls in many of the benefits offered to employees as well as significant shortfalls in country-specific health and welfare systems. For companies operating in a multi-jurisdictional environment, these differences can significantly affect the coordination of overlapping operating systems. In some cases, this has prompted firms to rethink what minimum level of benefits they might offer to employees with valuable skills and expertize.

Employees may well need to carry a broad range of insurance products which are consistent with the risks that they may face in the immediate future and over the long term. Given the associated costs of maintaining a healthy work environment, providing these benefits will require the commitment of employers, employees, and governments. It seems unlikely that governments will, or can afford to, extend public health and welfare systems.

Prior to the onset of the pandemic, there had been moves in company-based benefit systems towards the individualization of health and welfare packages. Moreover, considerable resources had been invested in online systems and training so that employees can better understand what is available to them.

This tendency is likely to continue independently of the effects of COVID-19, if not indeed partly as a result of workers' greater interest in their benefits.

That said, the costs for some companies in deep financial difficulty due to the pandemic may be such that they will be unable to maintain different types of health and welfare benefit systems for different types of employees, particularly in those countries that have effective antidiscrimination laws.

Prior to COVID-19, our qualitative research suggested that companies strive to adhere to industry and regulatory standards when it comes to providing benefits and not be 'laggards', which could hurt their competitiveness against their peers in the same jurisdiction. A minority of companies will offer benefits above and beyond the legal minimum for reasons of competitiveness. This can be true even in countries where occupational pensions are mandatory, such as Switzerland and Australia. These companies seem to assume that prospective hires see a generous pension as an attractive feature of a job – but not necessarily a key factor in recruiting younger employees in particular. Overall, however, few employers see a strong advantage in being 'pioneers' when it comes to offering attractive benefits, given both the costs of doing so and the relative lack of engagement from staff.

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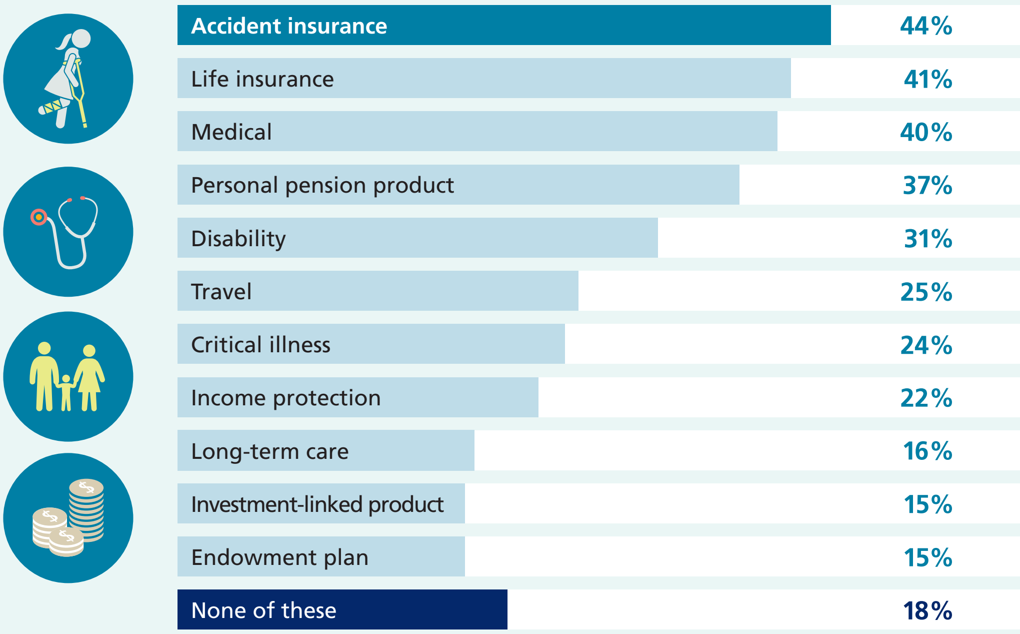
***Does your company offer** any of the following insurance to existing employees?*



Source: Zurich-Oxford employer survey, 2020

Our survey research provided more detail about how companies delivered insurance and benefits just prior to the onset of COVID-19.

The offer depends in part on the type of company.
Multinational companies (53%) are more likely than national companies to offer numerous insurance policies to their employees. Tech companies are significantly more likely than regular or "hybrid" (i.e. those whose business models relied to a significant degree, but not exclusively, on tech) companies to offer more types of insurance policies. Large-sized companies are more likely than medium-sized ones to offer life, disability, critical illness, and private medical insurance to their employees.

Just over half of employers (52%) offered different insurance packages to different employee groups.
Over half of these companies differentiated based on the nature of employee contracts – in most cases, between senior executives and all others.

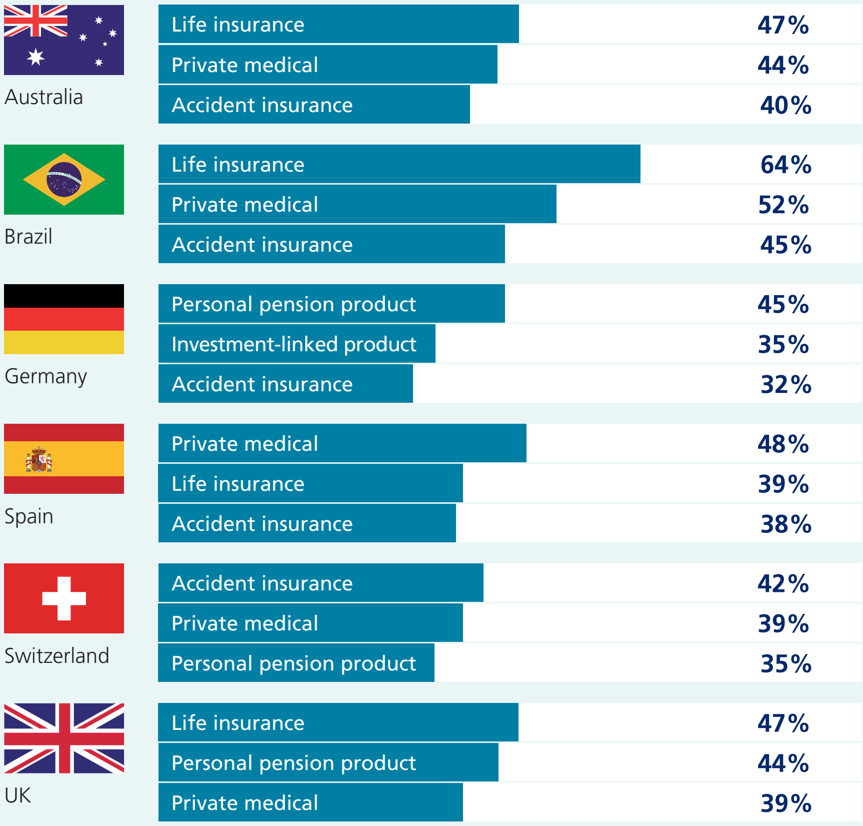
This can vary by country.
Swiss companies are less likely to differentiate their insurance "offer" based on contract type, for instance. Meanwhile, 43% of companies-based differences in protection packages on workers' skills and qualifications. This was particularly true of companies in Australia as well as those that hire a significant number of freelancers.

Just under half (49%) of employers had experienced an increased demand for insurance remuneration from their workers in the past 3-5 years.
In response, employers were most likely to offer insurance policies linked to life and health. About 46% of the firms surveyed offered life insurance, while 42% offer medical insurance. Income protection insurance is offered by less than one employer in four (23%).[1]

[1] Swiss employers automatically offer income protection insurance as a benefit attached to a pension plan.

Which specific products did your company offer *in response to the increased demand for insurance remuneration from employees?*

Top 3 *responses by countries surveyed*



Source: Zurich-Oxford employer survey, 2020

The demand for employer-provided insurance varies by country.
This is as expected given deeply entrenched and politically reinforced differences in government welfare policies as well as changes in local market practices.

- **In Australia**, employers more often than not offered travel and income protection insurance.
- **In the UK**, disability insurance[2] was offered less often, while income protection insurance[3] was offered more often than not.
- **In Switzerland**, employers were less likely to offer life insurance. This is likely because generous death and disability benefits are already included in pension plans.
- **For Germany**, investment-linked insurances were popular but life, critical illness, and private medical insurances were less so.
- **In Spain** Income protection insurance was less likely to be offered
- **For Brazil**, life, private medical and critical illness insurance are often available but long-term care and investment linked insurance are less available.

[2] Defined in the questionnaire as 'insurance that covers you during your working life and is either a lump sum or a regular payment'.
[3] Defined in the questionnaire as 'insurance that covers you during your working life and will replace part of your income'.

Retirement: still the biggest worry?

One of the headline findings of our 2019 report was that 44%of respondents to our consumer survey said that their biggest financial worry was having enough money for a comfortable retirement. Pension savings trumped both short- and long-term issues such as the ability to pay monthly bills, paying off debts, and not burdening loved ones in the event of respondents not being able to support themselves or their families. While there was some variation across socio-demographic groups, this trend cut across age groups and was common to men and women. It also cut across countries except Brazil and Romania, where respondents said it was their second-biggest worry after paying monthly bills.

This is as clear an indication as any of people's widespread and acute awareness of the importance of retirement security. Yet if pension funds were facing great pressures prior to the onset of COVID-19, those problems have only been compounded in recent months. In the first quarter of 2020, the value of DC funds dropped by 20% in the U.S. and 15% in the UK. Though much of this has been restored since April, it demonstrates the magnitude and scope of the volatility risks introduced by COVID-19.[4] DC has shifted most of these risks away from companies to the individual, but DB plans also face problems. Many struggling companies have postponed contributions to their corporate pension plans with the approval of pension regulators: for instance, 10% of UK employers with DB plan have requested a three-month payment holiday. Self-invested funds will also have suffered – a further demonstration of the risks of individual responsibility for well-being in retirement. The implications are obviously most serious for those about to retire, as we explain in our emerging global trends report: some will either need to accept a lower income or delay their retirement.

Yet the long-term risks to younger workers may be as great, especially if their ability to save is curbed by chronic unemployment – or underemployment, which was a persistent (and in some countries, more serious) problem for many years before COVID-19. In some cases, policy measures intended to alleviate short-term financial hardship will undoubtedly have long-term trade-offs. In Australia, for example, the government has allowed workers to access up to A$10,000 of their Superannuation pots to meet their immediate financial needs. 2.1m people used this scheme between 20 April – 14 June 2020. Meanwhile, underemployment may do more than unemployment to lower workers' lifetime earnings levels. This is particularly true of disadvantaged groups, including women, ethnic and racial minorities and people with disabilities.

More generally, we know from a deeper analysis of our consumer survey that people in financially vulnerable situations are less likely to think about their financial future. Respondents in all 17 countries in our survey who had experienced shortfalls in earned income, could not save in the past, or suffered from ill-health were significantly less likely to plan for their retirement. Moreover, those who had suffered from shortfalls in earned income or were unable to save were significantly less likely to contribute to supplementary pension funds than those whose past financial situation was more stable.[5]

Many struggling companies have postponed contributions to their corporate pension plans with the approval of pension regulators: For instance, 10% of UK employers with DB plans have requested a three-month payment holiday.

[4] However, those with state pensions shouldn't be affected by volatility, and the cost of volatility is borne by the employer for DB plan participants.

[5] Clark, Innocenti, and McGill (forthcoming). These factors all held true regardless of people's levels of risk aversion, present bias (i.e. tendency towards short-term thinking), cognitive abilities, and the adequacy of their country's pension system.

Short-term worries up to and including financial emergencies direct people's attention away from long-term planning during the event itself while also having a lasting impact on planning abilities. If individuals feel financially vulnerable in the short run, their own long-term wellbeing is simply not salient given the priority of getting by. We already know that stress generated by financial instability is negatively associated with subjective wellbeing and mental health.

If people's past financial vulnerability has such a bearing on their long-term financial health, this suggests that the effects of COVID-19 could be felt even after a widely forecast recession (or even depression) has come and gone. Left to their own devices, people's propensity to plan for retirement and other long-term financial goals will be eroded. All of this points to a strong need for employers not only to take a key role in providing for their workers' retirement security, but also to provide them with guidance on how to build and manage assets over the course of their careers. Once again, findings from our employer survey may be illustrative.

- **Nearly half (48%) of companies auto-enrolled their employees into a pension plan.**
  Our qualitative research further suggested that typically, companies utilize auto enrolment without distinctions made between different classes of employees. However, this practice depends on the country, particularly local tax laws. In some cases, employees must opt in rather than opt out.
- **64% of companies reported that all their staff participated in the same pension plan.**
  However, almost three-fifths (58%) offered a pension plan to senior executives that differs from that of other employees, and over half (54%) offered different pension plans to full-time employees than to part-time employees.
- **Voluntary pension contributions are the norm.**
  Nearly two-thirds (64%) allowed employees to voluntarily increase their pension contributions, with the company matching their contribution. A similar proportion (61%) reported that they allowed employees to voluntarily increase their pension contributions, but without the company matching their contribution. Tax laws in certain countries may dictate whether either practice is possible.
- **14% of the surveyed companies did not offer a pension plan for its employees.**
  This proportion was highest in Spain (29%). Nonetheless, 37% of employers offer a long-term savings product that could help workers save for their retirement or augment their existing public benefits.
- **HR managers believe that lower-skilled workers would prefer higher salaries over higher employer pension contributions.**
  In fact, our survey shows that over half of them believe this to be the case, compared to only 38% who believe this is true of higher-skilled employees at their organization. If this is true,[6] employers could develop pension plan benefits and options according to workers' immediate concerns. Once again, this can be affected by country-specific laws and regulations.

Based on our research, there are good reasons to suggest that certain types of employees might not, or cannot, look to the future in ways consistent with their long-term well-being, particularly those for whom past financial vulnerability makes people more aware of and sensitive to immediate circumstances. Employers could encourage workers to think about the future and use incentives and pretax pension contributions to (modestly) contribute to their employees' long-term well-being. As we will see below, they can also play a role in fostering their employees' financial sophistication subject to, of course, it being relevant or salient to their circumstances and interests.

There is a strong need for employers not only to take a key role in providing for their workers' retirement security, but also to provide them with guidance on how to build and manage assets over the course of their careers.

[6] On the other hand, our Income Protection Gaps survey showed that more workers would prefer higher take-home pay to giving up some wages for more benefits.

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Benefits and other tools for retention, productivity, and satisfaction

The pandemic has given rise to opportunities for employers to hire people who would not otherwise change jobs. In part, this is due to the variable impact of the pandemic by industry, company size, and jurisdiction. They may well be open to moving to other companies who can use their skills in situations not nearly as vulnerable to declining market demand.

Those who are open to changing jobs may also be conscious of their vulnerability. Companies that offer them a level of security will be highly desirable, even if what people do in those companies is different from their experience. At the same time, facing the prospect of unemployment, people may well be willing to take up short-term contracts with the promise of long-term commitment. This is not so much a question of employee loyalty so much as employer commitment. Meanwhile, willingness to move cities, regions, or countries may depend on age, as younger workers have fewer commitments such as caregiving responsibilities or property ownership.

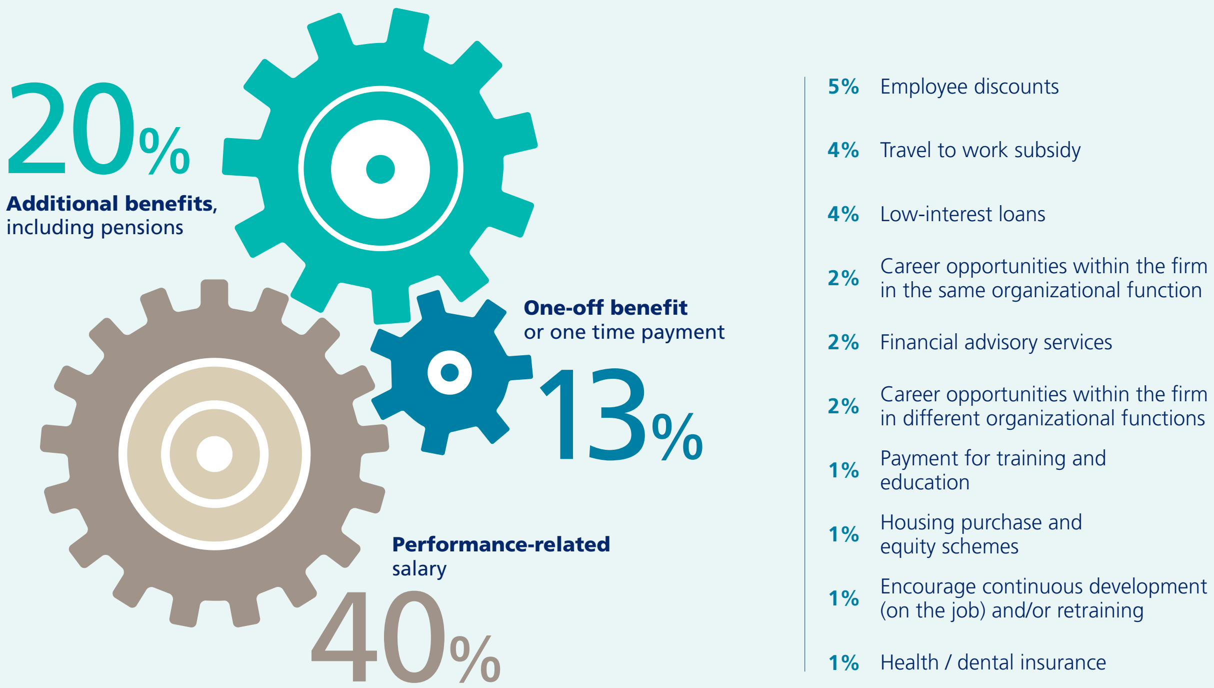
People seek stability and certainty in extreme circumstances, such as the economic situation to which COVID-19 has given rise to. A critical set of questions in our research has been whether benefits such as insurance and pensions enhance employee engagement, productivity, and satisfaction,[7] and whether employers see benefits as a tool for attracting and retaining talent. While these questions may not appear quite so urgent from the perspective of employers still coping with the fallout of a global pandemic, they will undoubtedly take on even greater importance in a post-COVID-19 world as companies come to define their role in the new social contract.

What factors help to attract and retain talent? We asked HR managers in our survey of employers for their thoughts:

- **Four-fifths of companies see skills development as key to talent retention.**
  81% believed that offering continuous (on-the-job) development and retraining is important for retaining talent and skill diversity. Almost two-thirds (64%) encouraged their employees to take government-sponsored retraining or adult education programs.
- **A very similar proportion saw an important role for benefits too.**
  79% believed that offering attractive benefits packages helps to attract and retain talent.
- **Performance-related salary (i.e. a salary above the industry median) was by far reported as the type of benefit that most helped to attract and retain talent,** with 44% of companies saying this was the case. At a distant second were additional benefits such as pensions (18%) followed by one-off benefits or payments (11%). These proportions were nearly identical for millennials.
- **Millennials may be less responsive to these incentives.**
  By comparison, the effect of offering generous benefits was thought to be much less pronounced for millennials: only three-fifths (60%) of companies said it helped retain talent from this age group. Our interviews suggest that while pensions are still important to millennials, they are not a decisive factor in attracting and retaining them.

[7] These were all subjective measures.

***Which tools** does your company use to motivate employees?*



Source: Zurich-Oxford employer survey, 2020

Given the premium on labor productivity, what measures did employers take to enhance the productivity of their existing staff? Two out of three HR managers in our employer survey (66%) indicated that their employees' productivity has increased in the prior 3 – 5 years.

- **The top-cited factor was offering salary bonuses**, with one-third of companies saying this had the greatest noticeable positive impact on productivity. We found other types of benefits to be important, notably offering benefits including insurance, differentiating protection packages for different groups of employees, and offering mental, physical, social, and financial well-being programs.
- **Varying insurance provision to different types of employees can be effective**. 55% of companies where productivity increased offered different insurance packages to different groups.
- **Only 47% of companies where productivity increased used retraining as motivator.** Moreover, only a fifth of HR managers cited retraining the company's existing workforce as the most important factor allowing them to increase productivity. This suggests mixed results as to what types of continuing education programs are effective.
- **23% of companies where productivity increased offered all four key types of well-being programs: physical, mental, social, and financial.** 70% offered some of these types.
- **Non-human factors also played a role.** Respondents also mentioned the introduction of new labor-saving technology, and related measures such as the introduction of technology that complements workers' tasks also appear to be important.

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Did employees' satisfaction increase over the last three to five years? Just over half (55%) of HR managers agreed that it had. Taking stock of this, we looked at the potential drivers of this increase. Notably, not all the factors that were believed key to talent retention overlapped with those that we found had increased overall staff satisfaction:

- **A combination of salary and benefits seems most effective.** Companies that use both additional benefits and salary raise to motivate employees to stay were more likely to have experienced an increase in employees' satisfaction. And related to our discussion of retention below, 40% of companies in which satisfaction had increased used a combination of salary and benefits as their main retention strategy, compared to just 22% that relied on benefits alone.
- **Offering a wide array of insurance-related benefits also played a role.** 50% of companies where satisfaction has increased offered multiple insurance types. Moreover, companies offering different protection packages (i.e. agile forms of protection) to different groups of employees were more likely to have experienced an increase in employee satisfaction.
- **Offering non-traditional work arrangements also made a positive difference.** Hiring workers under temporary and zero hours contracts as well as freelancers was also positively associated with increased productivity.
- **Conversely, offering career opportunities within the firm did not appear to have any discernible effect on satisfaction.** It is difficult to say why this might be the case, at least based solely on our survey results, although one possibility is that not all organizations communicate effectively about the opportunities for upward career mobility available to their staff.
- **Using continuous development and training as a motivator reduces satisfaction.** In fact, only 12% of companies in which satisfaction increased thought of training opportunities as a means of engaging their staff. It may be that employees feel forced to take these actions and so are less responsive to them.

At the same time, a clear majority of HR managers believed that their workers who are dissatisfied with the financial conditions of their job are less productive and less committed. Seven in 10 said that employees who are dissatisfied with their level of salary normally reduce the effort they put into their jobs, and a slightly higher proportion thought that they tended to seek employment elsewhere. Respondents also tended to think that employees who viewed their benefits packages as inadequate would not put as much energy into their jobs (63%) or look for a job at a different organization (66%).

Flexible working arrangements, generous monetary and non-monetary compensation, and tailor-made but generous protection packages seem to be the most effective means of increasing workers' satisfaction while also helping employers to retain talent and skills. An important caveat is that "talent and skills" is not synonymous with the workforce as a whole. Likewise, encouraging staff not to move to another organization doesn't necessarily imply satisfaction per se. Nonetheless, there may be a mismatch between what employers assume their staff find attractive in a job and what workers find attractive. The apparent lack of enthusiasm for continuous training and development is discouraging from the wider point of view of "future-proofing" the workforce from technological change and suggests that new approaches may be needed.

Elevating wellbeing: Physical, mental, social, financial awareness

A consistent theme in our Workforce Protection research has been how employers can accommodate the physical, mental, social, and financial well-being of their workforce in a holistic manner. All these issues have taken on enhanced significance during the pandemic. Ensuring that the workplace – whether centralized or decentralized – is a healthy environment must be reconciled with corporate strategy and ensuring high levels of labor productivity. At the same time, having healthy and satisfied employees is a necessary element of a competitive strategy. This suggests that companies will look increasingly to monitor their employees' wellbeing, ensuring that they work in healthy environments and are themselves healthy.

Mental health has taken on enhanced importance in a post-COVID-19 world. Workers' psychological wellbeing was already an issue of great concern to companies given the risks and uncertainties inherent in a changing labor landscape. The stresses associated with the COVID-19 situation such as job insecurity, health risks, caregiving responsibilities, and adjustments to remote working can have repercussions on workers' performance and achievements. Thus, while employee wellbeing may not have been universally and actively prioritized in the past, it is now an integral part of the relationship between employer and employee.

One question confronting organizations managing teams remotely is how far to extend their responsibility for their workers' overall wellbeing, notably their mental health.

Now that the boundaries between the office and home domains have significantly blurred, companies must determine whether or how to manage people's wellbeing outside of "working hours", however defined. Doing so could raise concerns about paternalism as well as privacy.

Yet given how much is being asked of workers during a difficult time, and given the strains COVID-19 has placed on national healthcare systems, the employer is in some respects a natural first port of call when it comes to shifting the burden of responsibility from individuals to institutions.

Maintaining a healthy work environment will also require companies to be alert to COVID-19 outbreaks. Where governments are investing in 'test, track and trace,' there is significant debate as to whether this is the best approach for containing the virus: some people may feel uncomfortable with being closely monitored and sharing personal data. Nonetheless, these types of activities may well be necessary for companies that have significant on-site production facilities. In the longer term, and whatever the nature and scope of government programs available to company employees, it may be beneficial to have independent health and welfare facilities at the company level. For some companies, these types of facilities already exist (and matched the types of wellbeing demands on employees). But for other companies, this may be an investment.

Now that the boundaries between the office and home domains have significantly blurred, companies must determine whether or how to manage people's wellbeing outside of "working hours", however defined.

Building better protection

Employers and employees alike are aware of the importance of financial health. The question of how employers can most effectively contribute to their employees' financial wellbeing has been yet another recurring theme in our Income Protection Gap and Workforce Protection projects. In general, this has meant improving individuals' overall financial literacy – their ability to manage their money effectively for a lifetime of financial well-being, including understand everyday financial products and services. Here, we are specifically interested in people's knowledge and understanding of the benefits that are available to them in their workplace, including pensions and various types of insurance. While employers had often seen a rather limited role for themselves in offering financial education and benefits advice, this had been changing prior to the onset of COVID-19.

Even though the companies in our employer survey gave their employees' level of financial literacy a median score of 7 out of 10, the majority still saw room for improvement, with two-thirds (68%) saying they believed their workforce would benefit from education or communication around financial well-being. Their employees seemed to be aware of this need too, as 57% of companies said they had experienced greater demand over the past 3 – 5 years for advice about financial well-being. And even prior to COVID-19, our interviewees believed that financial acumen will only grow in importance for a wide range of reasons, not least upcoming pension reforms in various countries. Accordingly, 74% planned to increase the scope and frequency of their financial literacy programs.

While companies see themselves as having a role here, they are less certain about how to fulfill it. 64% of survey respondents saw their own companies as having a role in educating their employees on financial planning, resilience, and wellbeing solutions. Moreover, three-quarters (76%) believed that financial well-being received the same level of attention as physical and/or mental well-being.

To that end, 68% had introduced education programs (whether online or in-person) designed to provide employees with knowledge and understanding of their financial and insurance benefits. Nearly twice as many did so in-house as contracted out to external organizations, while one in ten offered both options.

But while a strong majority of companies seemed clear on the need for greater financial education for their workforces, they may have been less certain about what specific content and modes of delivery were most effective. In interviews, at least some companies seemed confident that short, focused online communications (such as multimedia resources and email) were effective – even if their efficacy relative to other media (such as seminars, presentations, one-to-one consultations, and classroom-style delivery) couldn't be assessed.

Attention to financial wellbeing has yet to catch up with the level of focus on other types of health. In interviews, while most companies expressed a belief that this area should be treated as being on par with other types of well-being, it wasn't yet at their organization. As the economic impacts of the pandemic become ever more apparent at the individual level, effective and continuous communication in the design and implementation of benefits will be a crucial part of companies' financial education initiatives. Challenging at the best of times, the successful implementation and delivery of such initiatives will now also depend on reaching workers at a time of greater stress and uncertainty. In some respects, these challenges will be further compounded by the shift to remote working. Finally, integral to all of this will be rooting communication in a local context and company culture so that it 'sticks' in the consciousness of a diversified workforce.

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CHAPTER 4

Conclusion

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Fulfilling the employer duty of care

In a matter of a few short months, COVID-19 has had seismic impacts on the workforce across the world. A mass migration to remote working looks set to become semi-permanent. Many people, whether or not they can work from home, are deeply concerned for their job prospects, or have already become unemployed as organizations and entire industries have been affected by economic shutdowns.

Meanwhile, trends that were already underway – ranging from advances in automation and AI, changing employer-employee contractual relationships, a growing need for continuous adult education and skilling, and employers' involvement in managing individual health and wellbeing – have accelerated.

In this report, we have drawn on original research conducted prior to the onset of the pandemic as well as fresh insights generated in the months since to ask what role employers can, and in some cases already do, play in helping workers to navigate these uncertain times through engagement and continued education, and in innovating and building the worker protections needed. Without presuming to offer clear prescriptions during what is still an evolving situation, we can draw on our research to point to areas where employers will increasingly take a role in workforce protection, and in many respects already are:

- **Where benefits were previously not always important to employees, there is now an opportunity to capitalize on their newfound interest and engagement.** Insurance and related benefits had a mixed record before the pandemic in terms of their importance to employees. Now that so many have experienced a financial shock, it seems there will be greater scope for employers to use benefits as a tool to motivate their staff – and to engage them on wellbeing-related matters (see below). In particular, while millennials may have been less responsive to insurance benefits as an incentive to take or stay in a job before COVID-19, they will now be more risk-averse and likely to engage on these issues with their employers.
- **Concern for retirement might slightly recede – but only temporarily.** We know that workers are acutely aware of the need to provide for their financial security in old age. We also know that at times of crisis, individuals tend to focus on their most immediate concerns. Employers have a role to play when it comes to ensuring their workers balance their short- and long-term financial goals. As well as using incentives to keep up pension contributions, they should place retirement high on a list of financial, and indeed holistic, wellbeing concerns (see the next page).

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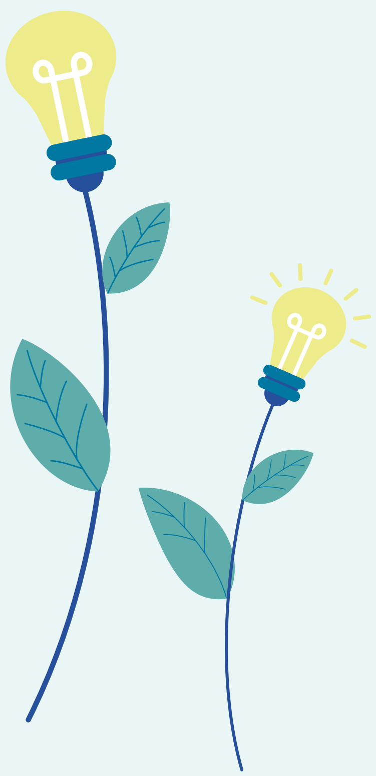

- **Matching workers' need for retraining with lifelong opportunities requires an entirely new infrastructure to be built by multiple stakeholders**. While some research shows tremendous worker demand for continuous skilling, our own consumer survey showed that many of those whose jobs are most likely to be affected (changed or eliminated) by automation and AI are often the least aware of these risks, and/or less willing to take steps on their own to reduce the risks. At the same time, employers don't always see offering retraining as the best way to motivate their staff. Many organizations have begun to innovate ways to deliver reskilling programs, often in partnership with stakeholders from government, the not-for-profit sector, and further education institutions. Thus, while employers have a key role to play in identifying workers' and their own skills needs – and in communicating these needs back to their staff – they must have strong support from these other players.
- **While employers are aware of the need for a holistic approach to wellbeing, many are still working to define and deliver it.** Giving balanced attention to workers' physical, mental, social, and financial wellbeing is challenging at the best of times. Now, with the added stresses of the fallout from the pandemic, it has taken on even greater urgency and importance. Yet it also raises questions about the balance between personal and societal responsibility. As technology advances and gives organizations the power to harness data that can help them and their workforce manage individuals' health, privacy concerns will have to be addressed. These challenges aside, the likelihood that workers will take a greater interest in their benefits means that employers now have an additional means through which to communicate with their staff on all matters related to wellbeing.

As the economic fallout from the pandemic continues, it may feel premature to think about many of these issues. Yet as the pandemic itself has also amply demonstrated, the costs of ignoring them are greatly outweighed by the benefits of starting to build a new social contract now. Employers had already long been acutely conscious of their critical and growing role in providing workers with protection – be it in the form of insurance and benefits, retirement solutions, skilling, or wellbeing. Now that they are on the front lines of a rapidly evolving world of work, they are in many respects best placed to lead change in building back better.

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