

How Should Firms Structure Their Rewards Programs to Pay for Future Skills?

Many companies focus on finding or building the in-demand skills needed for the future of work, but too few are examining their rewards programs to better align and grow these skills.

Determining the best way to hire and reward employees with future-leading skills is at the top of the agenda for many organizations as they reshape and optimize their workforces for the future. However, far too often, firms have rewards programs that are aligned to current and past business models, even while driving organization-wide changes like digital transformation.

In order to avoid overvaluing old roles or skillsets and undervaluing those skills driving the success of future business models, companies must carefully evaluate and, in many cases, redesign their rewards programs. This article outlines short- and long-term ways to reward future skills aligned to the timeframes of finding, assessing and retaining, or upskilling existing talent.

Short Term: Premiums for Scarce Skills

There are numerous pros and cons to paying a bonus or salary premium to employees or job candidates with in-demand skills. On the one hand, with digitalization strategies a top priority across industries, many organizations outside of the technology sector are competing for new types of job roles and skills. Firms that offer a skills-based premium may have a leg up on the competition. We recently conducted a survey of selected bio/pharmaceutical companies in the United States and found that 73% of companies recruit talent for hot skills from both the technology and bio/pharmaceutical industry. Additionally, 23% apply a premium of 10-15% on base pay for hot skills — in this case, expertise in data science tops the list.

On the other hand, paying a premium for skills that will later become ubiquitous, obsolete or no longer used in a person's role is a real concern. Additionally, paying a premium for hot skills has the potential for creating or worsening pay equity gaps through rewarding certain skills without paying attention to salary structures, job leveling and other mechanisms meant to bring structure and fairness to compensation decisions.

Robust market data is vital when determining pay premiums, as both an input for choosing the premium and a means of defending and reviewing it. Firms should also assess the efficacy of their compensation spends through a skill-based lens as they look to optimize their salary increase and bonus pools. We are starting to see some firms set aside higher increase budgets for those with in-demand skills, which help to maintain the skill premiums.

Setting parameters for a pay premium is also important, as is balancing impacts of a premium with a mid- to longer-term view. Aon finds that the key to candidates' success, in addition to hot skills, is their adaptability, learnability and curiosity. If a firm can ensure that they also hire for these reasons (in addition to whatever hot skills they need), that talent will be able to reskill, redeploy and continue to grow and add value — even if the initial hot skills have become obsolete.

As you're considering the decision to apply a premium to a certain skill, companies should assess the gap between current skills within the organization, future skills that are needed and which workers can be upskilled to bridge that gap. Our recently published white paper, [Closing the Future Skills Gap to Drive Business Success](#), discusses this topic in more detail.

Long term: Hire and Retain for Mindset, Train for Skills

Given that agile and adaptable employees are the ones most likely to make outsized contributions to the business, it is critical for organizations to understand how their employees stack up. Assessing current and prospective employees for competencies, behaviors and values is critical to closing a future skills gap in the long term. Layering on that, using competitive benchmarking to drive competitive pay programs and adding retention-based pay for key roles and high-impact employees are other smart ways to invest in future skills.

Companies need to assess essential skills in their organization to meet strategic growth goals, determine what skills they have among their current workforce and evaluate which employees can be reskilled and upskilled into new roles. Just under half (45%) of the 1,451 global respondents we surveyed in April 2021 said they have, or are considering, assessing their employees for agility, adaptability and digital skills, highlighting both the opportunity and direction of travel.

When possible, reskilling and upskilling your talent may be a preferable approach because it will save costs in the long run, drive employee loyalty and create more value for an organization. A few years ago, the Society for Human Resource Management estimated that it took companies in the U.S. more than \$4,000 and 42 days to hire a new employee. Employers can expect that to be much higher and longer for roles that require in-demand skills. Even so, not all employees will be able or willing to reskill or upskill; therefore, a carefully thought out combination of hiring and reskilling is necessary. The real risk lies in doing nothing.

Additionally, it is not uncommon to see firms that already have the skills needed for the future within their workforce without realizing it. Don't let these opportunities go to waste — identify potential and align your rewards programs around it. It's important to also note that as more organizations digitalize their business, much of the future workforce skills needed will be a combination of hard technical skills and softer organizational skills. Put together, these are key attributes for working in a more resilient and agile fashion. Employees and job candidates should be assessed for their mindset and behavioral competencies, including their agility, ability to learn, curiosity and leadership.

Next Steps

In order to create a resilient workforce, companies will need to identify and develop future skills. Examining current and prospective employees for hot skills, as well as learnability, curiosity and agility, is a pivotal step. This

should be carefully balanced with strong compensation programs that recognize performance and encourage new skill development to meet the changing needs of the business.

The reality is clear. If businesses want to remain sustainable and thrive, they must build aligned compensation programs to encourage and reward the development of future skills — all based on different working models and types of workers.

To learn more about rewarding future skills, download our new guidebook, [*The Future of Pay: Enabling Workplace Change Through Rewards*](#). If you have questions about this topic and want to speak with one of our experts, please write to rewards-solutions@aon.com.

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