

Future of Work:
Changing Landscape of Talent and Rewards

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Prepared by Aon Human Capital Solutions
Aon Human Capital Solutions is a business unit of Aon plc.

Empower Results®



Digital may seem like the *Future* of Work...

But eventually, it will become automatic in everything we do.

Companies (And Products) Are In the Midst of Digital Transformation

New Business and Operating Models

Efficiency of Internal Operations



New Capabilities

New Customer Experience

Companies Are Evolving a **New Business Architecture**



The need for speed and flexibility are driving more and more things out of the physical and into the virtual world



The push to the virtual is creating the situation where “software eats everything”



Data is the “exhaust” of the virtual world – and interpreting it correctly is the “fuel” that drives growth

Business Challenges are Shifting Talent Demands Dramatically



Speed
"Structures" and people enable rapid decision-making

Agility
To manage talent and shifts in strategy real-time

Innovation
Enabling the only remaining competitive advantage

Experience
Shaping something that meets the wants and needs of multiple diverse populations

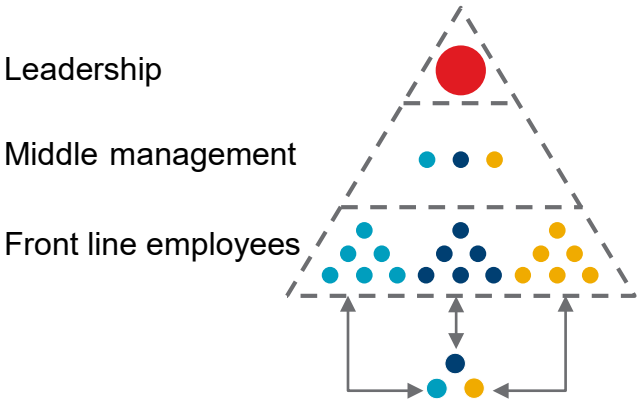
Transparency
On performance, pay, careers and business strategy

Inclusion
The binding force of culture and core values that speak to all demographics

Agile Is Reshaping How We Organize to Get Work Done …

From

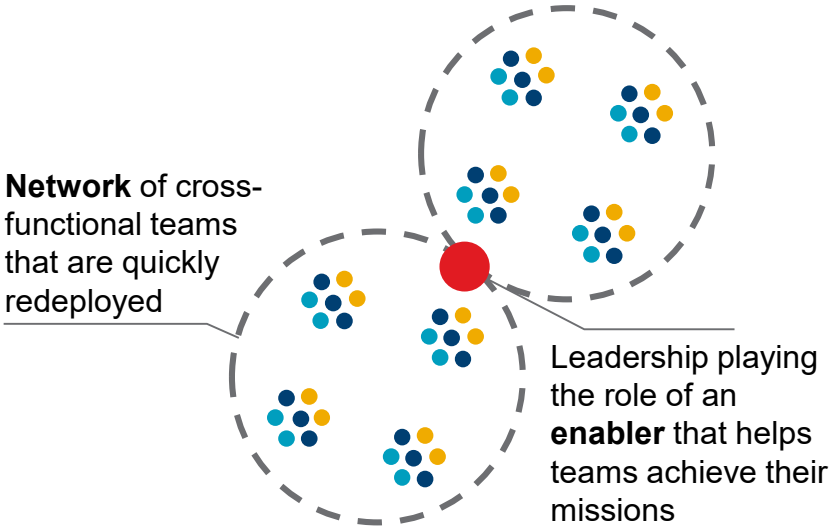
Organizing individuals based on functional capabilities



Cross-functional teams of
"**functional representatives**"

To

Organizing individuals in teams aligned with activities that create value



What Is Pivotal Talent?

4 Types of Roles:

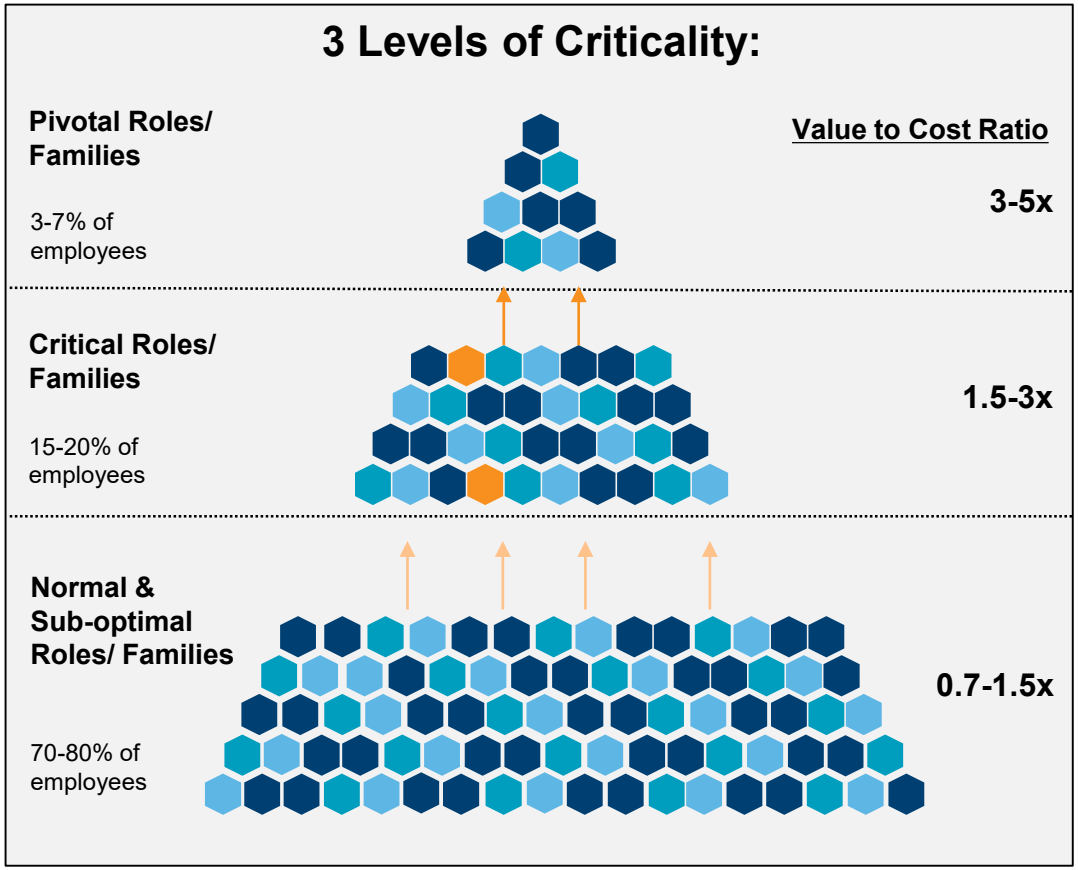
Core — Must-have roles, without which we cannot create revenue

Specialist — Roles that add value to the core delivery

Enablers — Roles that make the business more efficient

Support — Roles that aid the core business in achieving goals

3 Levels of Criticality:



Pivotal (and Scarce) Skills and Experiences Change The Rules

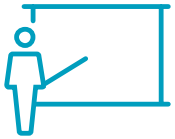
What are pivotal skills in tech?



Cyber Security



Information Security



Machine Learning



Cloud Computing



Data Scientist/ Big Data

What are pivotal skills in other industries?



- Customer experience
- Data interpretation
- Portfolio mgmt
- Social media and branding



- Internet of Things
- Connectivity
- Cybersecurity
- Renewables



- Cybersecurity
- Customer experience
- Machine learning



- Digitalization
- B2B
- Privacy
- Cybersecurity



- Innovation
- Digitalization
- Data Science

High Tech operate differently from **Companies Growing Through Tech**

	High Tech	Growing Through Tech
The Mindset	▪ The technology **is** our product	▪ The technology **enables** our product
The People	▪ Technologists make our product, so we want to **buy the best**	▪ We need to **balance cost** with efficiency and savings
The Systems	▪ We're **building from scratch** with the newest and latest	▪ We're **remodeling and transforming** an existing architecture
The Outlook	▪ Our investment in technology **directly ties to our revenue**	▪ Our investment in technology **is one component of revenue**

Shifting Talent Strategies To **Create a Winning Culture**



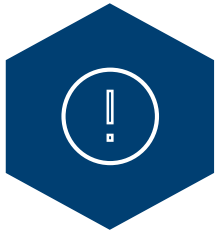
So What's Happening With Rewards?

Key Observations



- Base pay and benefits are table stakes – regardless of size – with limited correlation to size of company
- Differentiate through long-term incentives and retirement programs – this is where bigger companies are willing to do
- Employees should not receive equity grants for breathing
- Eventually even the once-hottest areas slowly converge on the broader "core" disciplines ("If everyone is super, then no one is")

Key Implications

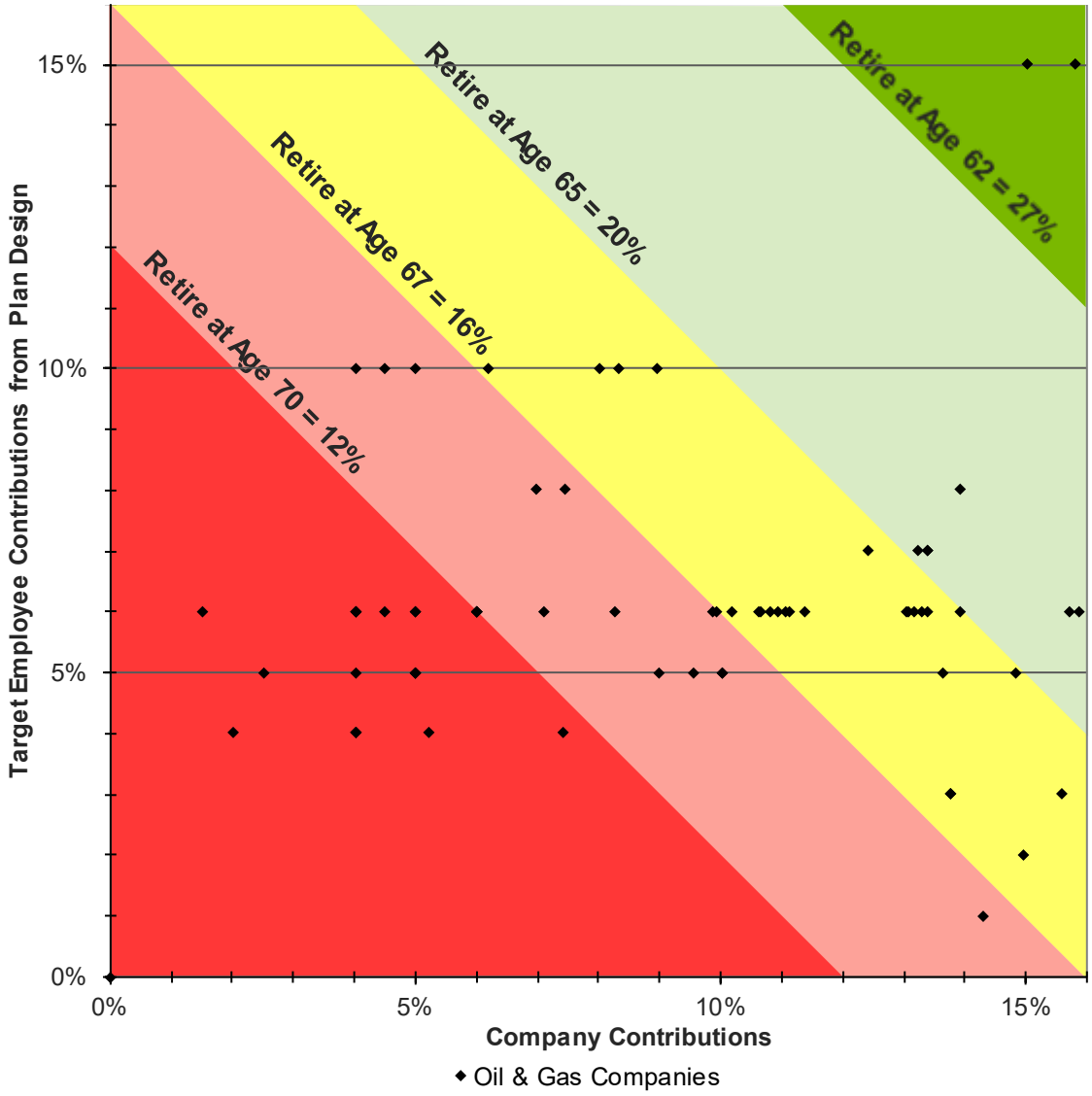


- Benefits should amplify your desired employee experience
- You can't afford to cheap out on salary, because no one else is
- At the same time, the odds are that today's salary premium will be tomorrow's overpayment for talent
- Life without equity is possible – but complicated
- Pick your friends – specifically, your peer comparators – with care

Impact on Health and Other Benefits



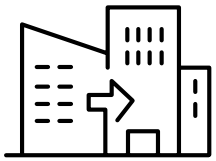
Target Retirement Age Based on Employer Plan Design



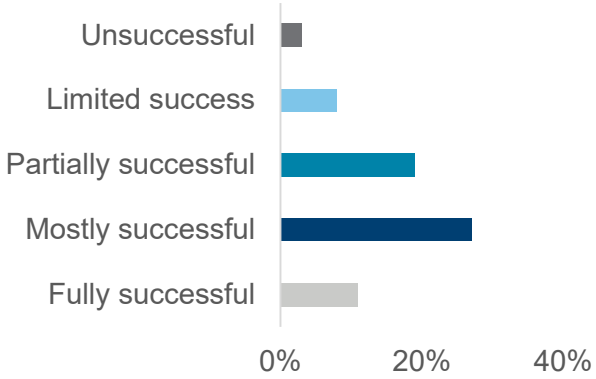
Note: Retirement needs based on Aon's 2018 Real Deal Study

Buy, build, or borrow new types of talent

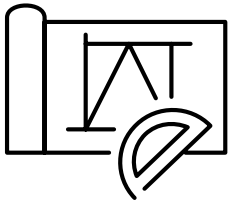
Buy



Recent experience with acquiring new tech talent through M&A

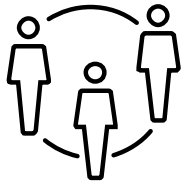


Build



- Top tech **3x more likely** to provide a promotional increase for lateral move
- Investment in **new skilling** is becoming a business imperative

Borrow



- In 2015, **36%** of US employment was contingent
- **50%** of millennials are already freelancing
- **79%** of top tech companies use contingent workers for product development

Results above exclude those that responded “N/A” as their rate of success with buying new tech talent.
Source: Aon’s 2019 Technology Convergence in Acquisitions Survey.

So How Do We Manage Skill Shifts?

How *not* to respond to skill shifts ("hot jobs")



- Add a new title immediately
- Mistake skills for jobs and roles
- Move the job to a higher pay grade than its scope to meet market demands
- Consider salary premiums as a sole mechanism for differentiation

Instead, consider the following:



- What jobs will need to pick up or own this skill in the future?
- How quickly (or not) the skill will propagate across the organization
- Hiring "heads" that can lead and teach versus "hands" to do the work
- Using long-term incentives as a means to differentiate (and "stick") critical skills, experiences and talent

What Strategies are Organizations Using to Get (and Hold) Key Talent?



Offering bonuses, where needed

- Only **3%** of tech companies offer a bonus premium for hot skills
- **75%** of tech companies use retention bonuses



Embracing a multi-sourced workforce

- **27%** of tech companies are planning to increase their contingent workforce
- **72%** use contingent workers for product development



Getting more skin in the game

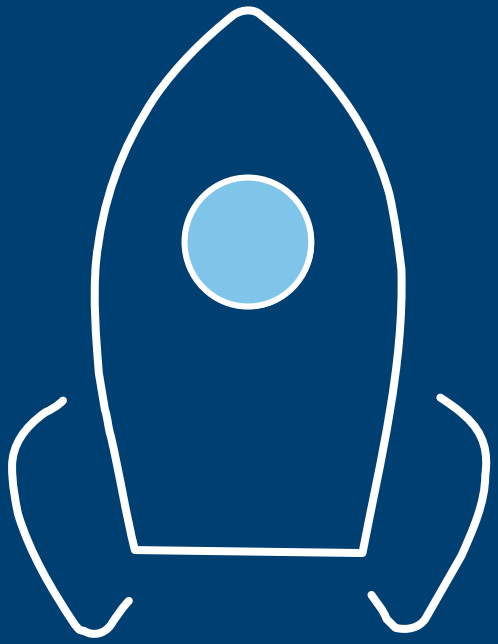
- **9%** of tech companies offer equity premiums for hot skills ranging from **50-100%** of target grant
- **2-3x** more likely to grant a premium for Data Science or AI/Machine Learning



Expanding headcount in new tech hubs

- In Europe, new hubs are emerging in **Estonia, Latvia, Poland, Portugal and Romania**
- In the US, **Austin, Dallas, Denver, Salt Lake City and Atlanta**

Source: Aon Human Capital Solutions proprietary research.



Accelerating the velocity of change is every company's goal.

The key is enabling humans to keep up.

Making the Shift to the **New Digital Reality**

The workforce of today is building the reality

Focus on Roles and Skills



Engineering and data scientist roles and skills are needed

vs

The workforce of tomorrow is leveraging the reality

Mindset and Behaviors



Business-focused "entrepreneurial mindset"

A new Culture



Experiences, transparency and inclusiveness

The roadmap to success

1. **"Smart" architecture & workforce planning**
2. **Growth-based career opportunities**
3. **Performance-focused culture**
4. **Look at "The Whole Package"**

Source: Radford Talent Pulse Survey, Technology Companies

An approach to **enabling your people**

Define your future workforce needs

- Connect your digital roadmap to the talent plan
- Model impact of automation on jobs
- Define new roles and career paths

Identify the talent you need

- Who are the best people for you and where are they?
- What are the gaps in your current workforce?
- Which employees can we help to re-skill?

Create a magnetic value proposition

- Understand what the employees you need value most
- Define what differentiates your company
- Communicate a compelling story for top talent

Turbo-charge your company's performance

- Structure rewards to put skin in the game
- Reward teams that drive growth and innovation
- Tie ROI of rewards to business outcomes

The Aon Presenters

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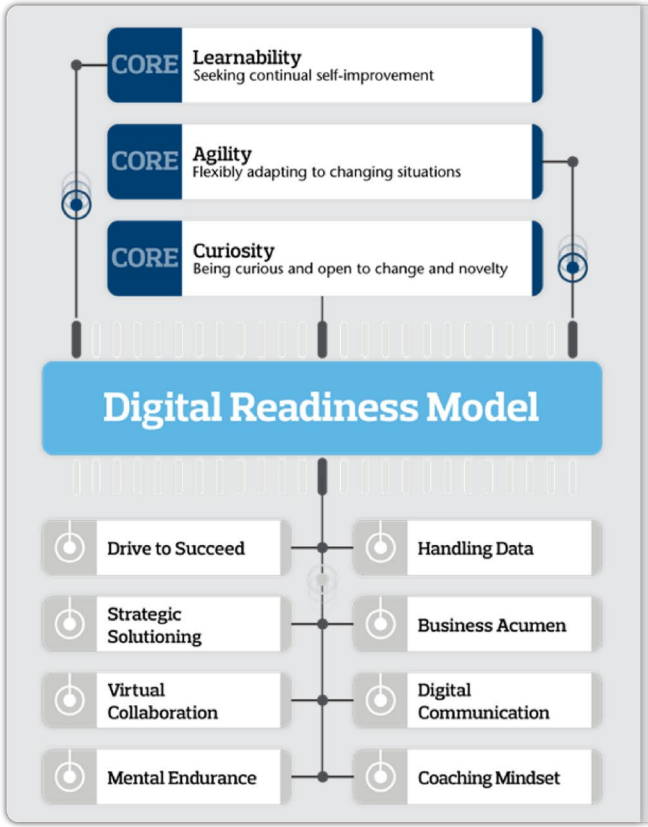


Appendix

Focusing on **Digital Readiness**

- Digital Readiness is the willingness and ability to learn and seek new developmental opportunities, to flexibly adapt to changing environments and openness to try new things





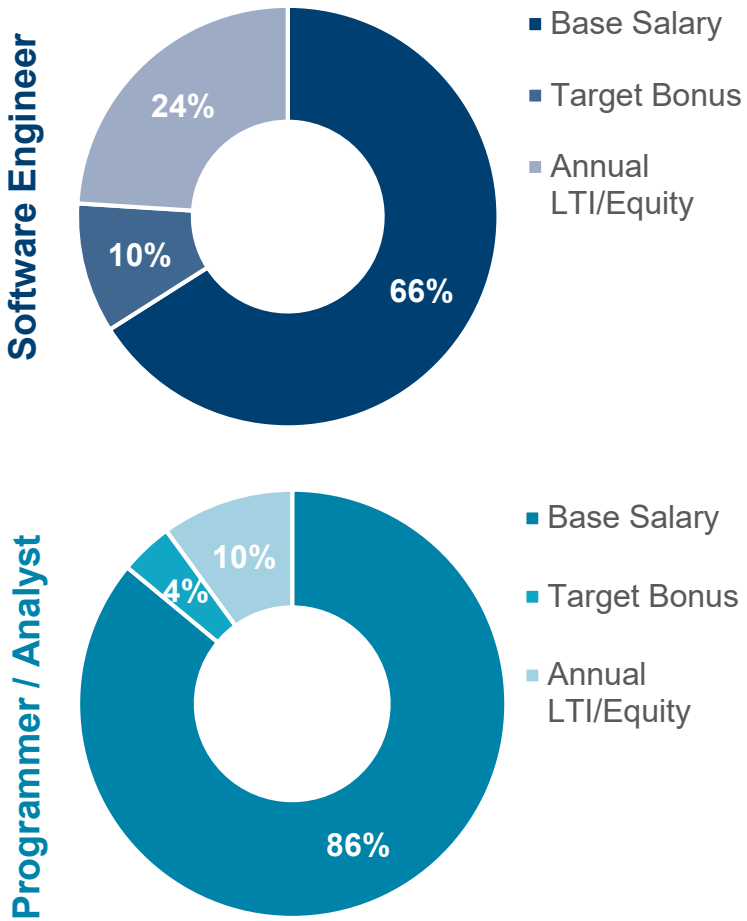
Digital Readiness Model

Identify the digital readiness of a person and understand critical behaviours relevant for performance in the digital world

- Digital is a mind-set. Building a workforce of digital natives is essential to support the digital culture
- The core capabilities represent the most relevant aspects of digital readiness
- The supplemental capabilities complete the skillset needed to be successful in the digital world of work
- The digital readiness capabilities are measured by looking at two aspects: personality and ability
- You can assess individuals, teams or your firm overall

Tech **Compensation Packages** – We Don't Mess Around

Annual Pay Mix



Compensation Packages

Turbocharged Technology Companies Software Engineer (Career Level)		
Element	**Market 50th**	**Market 75th**
Base Salary	$138,600	$146,000
Bonus	15%	15%
New Hire LTI	$115,600	$150,200

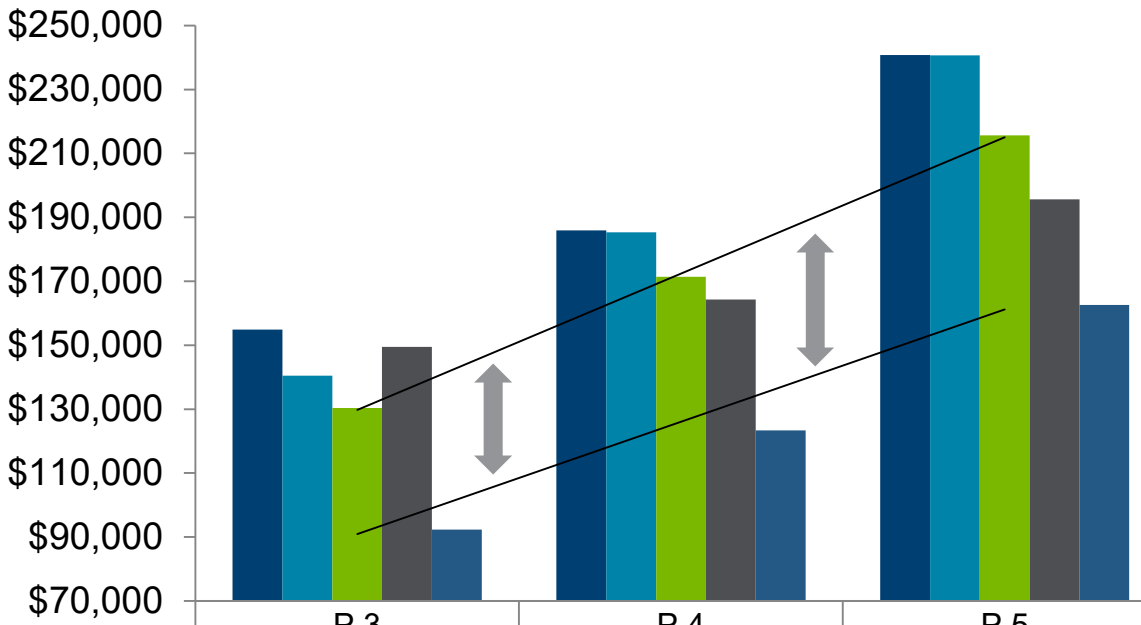
All Technology Companies Programmer / Analyst (Career Level)		
Element	**Market 50th**	**Market 75th**
Base Salary	$87,800	$100,000
Bonus	4%	10%
New Hire LTI	$46,200	$81,400

Source: Proprietary Research

Technology Convergence in Oil & Gas
New Roles With Pay Premiums Similar to Technical Professionals

- The need for efficiencies are driving oil & gas companies to think about how new skills can integrate into their current workforce.
- These skills command a premium in pay relative to traditional IT skill sets
- Total direct compensation premiums for hot jobs generally range from **30% to 60%** relative to non-technical roles

Median Annual Total Direct Compensation



	P 3	P 4	P 5
Machine Learning Engineer	$154,900	$185,906	$240,810
ASIC/Layout Design Engineer	$140,481	$185,317	$240,702
Data Scientist	$130,325	$171,359	$215,615
Software Development Engineer	$149,512	$164,284	$195,592
All Non-Tech / Non-Engineering	$92,301	$123,371	$162,542

Source: Radford Global Technology Survey US National Compensation 50th percentile, 2019

Technology Convergence in Oil & Gas
Data Roles Have Strongest Demand in Upstream Oil & Gas

- Highly technical roles focused on the manipulation of “big data” are associated with a pay premium, while roles focused on basic data report generation or analysis of information are in greater supply and carry lower pay levels

	Base Salary	
	50th Percentile	75th Percentile
Business Intelligence Analyst 2	76,000	88,000
Business Intelligence Analyst 3	95,000	110,000
Business Intelligence Analyst 4	115,000	128,000
Business Intelligence Analyst 5	140,000	157,000

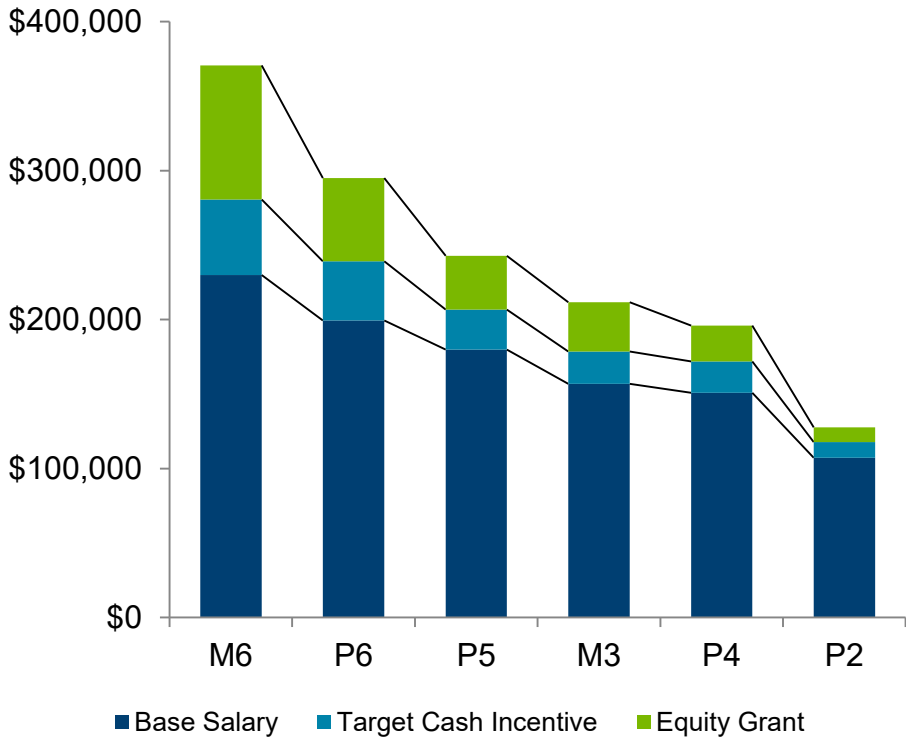
	Base Salary	
	50th Percentile	75th Percentile
Data Informatics Analyst 2	75,000	94,000
Data Informatics Analyst 3	95,000	124,000
Data Informatics Analyst 4	121,000	149,000
Data Informatics Analyst 5	150,000	177 ,000

	Base Salary	
	50th Percentile	75th Percentile
Data Scientist 2	107,000	120,000
Data Scientist 3	130,000	143,000
Data Scientist 4	151,000	168,000
Data Scientist 5	180,000	196 ,000

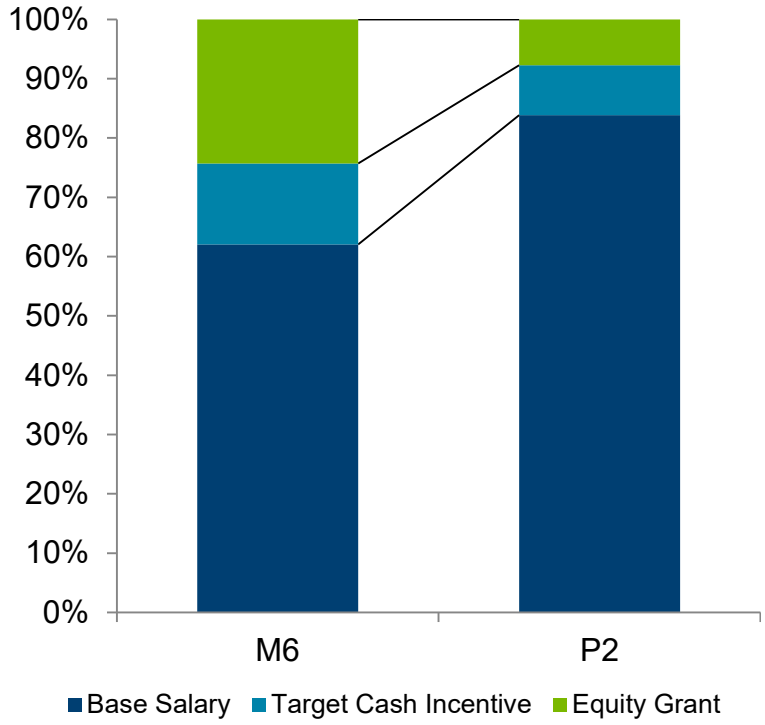
Technology Convergence in Oil & Gas
Top Level Data Scientists Can Be Difficult to Attract Though

While individuals in upper level technology roles have significant annual earnings potential, wealth is delivered primarily through variable pay

Data Scientist
Median Annual Total Direct Compensation



Data Scientist
Median Pay Mix



A Data Science Senior Director can expect to earn ~$400K / year, with 40% delivered through cash or equity incentives

Source: Radford Global Technology Survey US National Compensation 50th percentile, 2019

Technology Convergence in Oil & Gas
Information Security Pay Cools Down, as Jobs Incorporate This Skillset

- Companies continue to enhance their security practices to meet growing customer demands in this area.
- However, IS jobs once carried a pay premium relative to other technical roles
- However, knowledge of security policies has become more commonplace and is now considered a basic requirement for many roles in may technology companies
- For industries such as oil & gas, this may offer an opportunity to integrate these skill sets in new environment

Career Level	2019 Base Pay Levels	
	Information Security	Technical Professional
Level 2 – Intermediate	85,000	84,000
Level 3 – Career	101,000	105,000
Level 4 – Senior	133,000	130,000
Level 5 - Advisor	160,000	158,000