Defining Your "Employee Deal" And Using It To Create Competitive Advantage

What Is An Employee Value Proposition?

An Employee Value Proposition (or "EVP") comprises everything an employee gets in return for providing their labour to his or her employer. Every pay cheque, every "thank you" and even every social media interaction that an employee sees – all of these contribute to an organisation's EVP in some way.

In effect, it comprises the totality of the deal an employer has struck with its people as to why they should join, stay and go the extra mile in their endeavours at work.

We call an EVP the "Employee Deal" – it is a shorter and somehow more resonant phrase than its jargonistic equivalent. The key aspects of an Employee Deal for any employer are set out in the pretty diagram that accompanies this article (see Fig.1 The Employee Deal in action).

Why Does It Matter?

Defining your Employee Deal, and making it as compelling as possible, is a business imperative. If you don't get this right, you will need to run very hard indeed to recruit the best people. And even harder to keep them.

In today's highly charged talent market, an ineffective Employee Deal poses a direct hit to your bottom line.

The Problem With Your Employee Deal

Business critical though it may be, we see two problems organisations encounter in defining their own Employee Deal:

- A deal, by its very nature, is a two-way thing. You can define what you wish – but the lived experience of your people becomes their deal. Irrespective of what you may have written down
- Different people value things differently. The deal is weighted to reflect the personality type it is applied to. The employer has no control over this weighting. Organisations are not static and your Employee Deal needs to be capable of flexing to cater for people with different skills and needs.

So, why work so hard on defining your Employee Deal, when it is open to such extremes of interpretation?

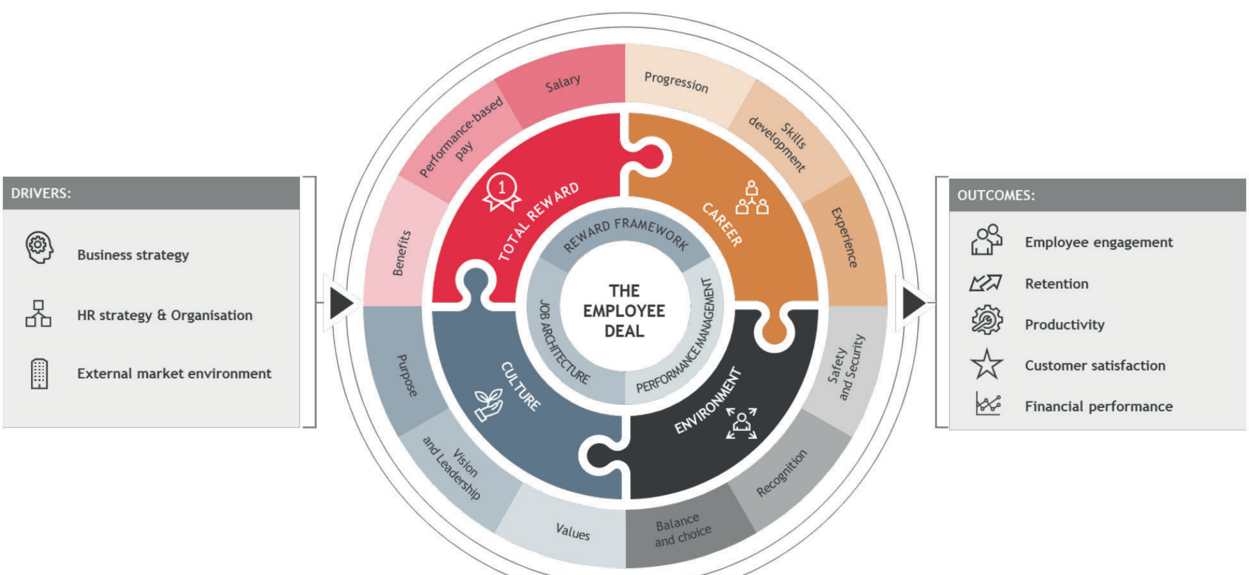
A poorly articulated Employee Deal creates confusion for your leaders, your employees and in your potential talent market. You can only unlock this confusion, usually, by paying people more (cash reward is the one part of the Employee Deal that everyone sees and can value). If, therefore, you find yourself having to pay at the top of the market or deploy retention or joining bonuses with frequency, then there is likely to be an issue with your broader Employee Deal.

So, there is every reason to take extreme care to define your Employee Deal and work to improve it.

But we offer 4 traps to avoid:

- **It is a change tool for the employer – not a communication conduit to your employees**
  The value in defining an employee deal is that you can see, on a page, all the things that are important in making your firm the place to be – a level of clarity that enables you to carefully manage a change journey to make things better. What it is less useful for, is a tool to communicate to your people why they should be delighted to work for you. Bluntly, they'll be the judge of that. And nothing you put on a slide will influence this.
- **Reward is a hygiene factor – you cannot hope your great culture or underpinning values compensate for sub-market pay.**

Fig.1 The Employee Deal in action



You must pay the going rate for the job. There is no trade-off between sub-market pay and other balancing (more positive) attributes. That's the problem with one aspect of your Employee Deal being a hygiene factor – you can work hard at everything else - but get this piece wrong and it will all be for nothing.

- **Career progression is disproportionately important**

  Providing a career with progression, skills development and experiences is key. This means that there is now a need to be clear on what a compelling career looks like for a technical specialist, versus a relationship lead. Or salesperson versus a financial controller. Even more important is recognising that career progression may involve leaving (and possibly coming back). Or moving horizontally.

  Of all the aspects in an Employee Deal, getting this piece right (once the reward hygiene factor has been addressed) has the potential to make the most difference. We should always be sceptical about exit interview data (it highlights why people said they left rather than why they actually left) – but it usually tells us that people leave for a mixture of better pay, better career prospects and better experience. All of which are addressed by a better articulated career pathway for all.

- **Acknowledge the noise, but don't flip-flop around in response to it.**

  In 2020 (quite understandably), the Employee Deal debate focused on wellbeing. In 2021, the loudest conversation out there was about hybrid working. Today, the noise is focused on base pay in a world of rising cost. This is not cyclical – it is event driven. But an appropriately crafted employee deal offers the answers to such events – you should not need to keep re-defining your deal to respond to them.

  This offers an important aspect of an Employee Deal "activation" – it is principles based. If your Employee Deal has a "cycle to work scheme" on it, then you need to move the helicopter up a little. No one has ever joined or stayed at a business because of a cycle to work scheme. It's not part of your Employee Deal. It's a piece of small print.

  The key is this. You have an Employee Deal, whether you like it or not. Understand it, and then manage it purposively, using data to inform and evidence progress. This offers you competitive advantage. Hideous though the expression "Employee Deal activation" may be, it is difficult to establish what path you are on to make your firm the best place it can possibly be without taking this step.

The Employee Deal And The Internationally Mobile Employee

Sending people to work in other countries has been common practice since the concept of paid employment first appeared. How you send people is much more of a fluid affair – where rules, tax, policy and law meet culture. Our tendency to focus on the technical bits, does not mean that the cultural questions are not important. Quite the reverse – they are the most important bit.

So, what has the Employee Deal got to do with mobility? There are four cultural touchpoints to consider. Employers who get all four right, will have a better outcome than those that just focus on compliance. Think about the following:

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1. Why?

The reason why you send someone to work in another country goes to the root of your culture. And being very clear as to why you are enabling employee mobility shows your culture in action. We can see from what happened to employee mobility in the pandemic, that an employer can manage most things without having to parachute employees into different countries to oversee activity. Which means that sending employees overseas now has a more nuanced purpose – possibly more connected with experience and capability development rather than straightforward business need.

We know this to be the case. Because, without a change in employer mindset as to the reasons to send people on assignment, we would have expected the number of long-term assignments since the pandemic to have fallen through the floor. The reason for this is simply that, for employers who are operating a hybrid working model, they would be sending their employee to a different country to spend 2 or 3 days a week working from their new serviced apartment. Which is plainly silly.

So different models have emerged. We are seeing an uptick in short-term business travel. And different types of arrangement looking at periods "on" and "off" assignment. The key will be that there is now less business purpose in shifting geography for the long-term – without the added benefit of employee experience. Flexibility will be key.

There will be situations where an assignee could argue that a long-term "in locality" assignment is the best way. The argument may even be persuasive. But it will be a preference, rather than a requirement. Which could result in the move still occurring – but for the benefit of the individual rather than the employer. Put simply, mobility will continue, but people may be localised from day one to suit their need and experience. And on a cost package that better reflects that fact. Which takes us on to our second question.

2. How Much?

Facilitating employee mobility is frighteningly expensive. As we add the impact of inflation on the assignees package and across every service provider linked to the mobile employee experience, we can see that this cost is ratcheting up at an alarming rate.

How much you pay for the mobile employee is a cultural question, not a market question. Because there are now so many models that could be adopted, the "market" is just one input to the picture. In times gone by we could describe an employee as tax equalised, or on a host or home country arrangement. But there are now so many additional variations on a theme.

For example, where we have an employee who is seeking the experience of working overseas, how much should an employer pay?

Think about the following options:

- Just pay the employee the same amount as they earn today
- Make sensible adjustments to ensure the employer is not out of pocket in tax or other "cost to employ" terms
- Make sensible adjustments to ensure the employee is no better off in tax or other "cost to employ" terms
- Make an adjustment also to ensure the employee does not benefit unduly from a better cost of living in the country they wish to move to
- Apply a pay rate applicable to the local market they move to
- Create a new set of global pay bands. If we all work from anywhere, pay arbitrage between regions could soon be a thing of the past
- Create a new set of global pay bands which you then adjust to reflect meaningful cost of living movements in any major jurisdiction
- Designate each role to an office and location and fix the pay to that place irrespective of where the employee is.

It is a never-ending cycle of policy questions – and your answer to them will drive attitudes towards mobility and the frequency of it occurring. You have taken a cultural position when answering the question, even if you think you have not.

3. Your Green Credentials?

Travel has its very own carbon footprint - which needs to be front of mind in determining your attitudes to mobility. Advocating mobility without fetter is of course a cultural position you have adopted. In the same way as restricting mobility on environmental grounds would be an equal and opposite cultural position.

Every expat needs their own carbon calculator based upon their travel. And it should be used to establish a more progressive attitude to what travel is appropriate and what is not.

4. Transparency

Showing that you are paying people fairly is key. Dealing with your mobile population in a governance framed and policy driven way will be essential. And increasingly obligations exist in many countries that require an employer to prove that they are getting things right.

Publishing a gender pay report, a CEO pay ratio or demonstrating pay transparency in accordance with new in country directives are all just as important for a mobile employee as they are for a local hire. Put simply, the same rules (should) apply.

Every employer needs to spend time on ensuring its Employee Deal is as strong as it possibly can be within the cost envelope it has available. The trick is to recognise that it's not all about reward. And the other aspects in your deal – relating to career, environment and culture are the aspects that genuinely will make the most difference.

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