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Gartner Business Quarterly

Proven Guidance for C-Suite Action



A New Employment Deal That Fuels Higher-Performing Organizations

by Brian Kropp and Jonah Shepp

Over the past 70 years, periods of disruption have led to adjustments in the employment deal — that is, the fundamental bargain of what value employees provide for an organization and what the organization offers in return. Negotiating the employment deal has usually been competitive: During periods of economic expansion, employees would take advantage of tight labor market conditions to extract concessions from employers, who would later pare back on benefits as the business cycle turned.

To put it mildly, 2020 was a tumultuous year, and once again, the upheaval is reshaping the employer-employee relationship — this time, on a much larger scale than the push and pull of decades past. The model forged in the late 20th century is coming under fundamental stress, challenging organizations to radically rethink their relationship with the people who work for them.

As the pandemic escalated, business leaders went out of their way to hold onto their employees, with tactics such as reassignments, shorter hours or pay cuts. Some, who had no choice but to downsize, tried to help employees find alternate work, pledging to rehire them when and if conditions improved.

Several factors drove these employee-focused decisions. First, talent is a bigger generator of business value than ever, so leaders recognized what it would cost them to lose people with institutional knowledge and have to find new people to hire after the pandemic.¹ Second, organizations did not want to risk being perceived as uncaring employers during a global emergency. And the COVID-19 crisis changed how managers and executives view their teams in a new and significant way. The mass move toward public lockdowns and working from home meant that leaders peered — literally — on a regular basis into employees' homes and personal lives.

In the process, the employment deal got an overhaul. As it turns out, the humanized covenant that emerged benefits both employees and their employers. This new pact consists of three elements: radical flexibility, shared purpose and building deeper connections to family and community. Some organizations were already experimenting with these changes before the pandemic, but the crisis accelerated their adoption. Embracing these principles can increase the number of high performers in your workforce by one-third, while also improving your ability to attract and retain talent.²

A new employment deal is not just an HR project; the entire organization needs to get involved. Finance and IT will, of course, be important partners. With more employees working from home, general counsel will need to help tackle new liability, privacy and data security issues. Flexible work influences cybersecurity, location strategy, real-estate decisions, and compensation and benefits. Making progress on social issues important to your staff can draw in marketing and procurement. Communications and PR will play roles in community outreach.

The bottom-line implications of these improvements are potentially massive. Gartner's Turnover Cost Calculator shows that for a typical, large organization, a one percentage point reduction in annual attrition can reduce costs by over \$5.4 million a year.³ The monetary value of employee performance is harder to measure precisely, but we have yet to meet a business leader who would prefer not to have more high performers in their organization.

The Three Dimensions of the New Deal

Radical Flexibility

Radical flexibility means giving employees control over when, where and how much they work. As the novel coronavirus spread, 83% of organizations experimented with where work was done and 62% experimented with when work was done. Also, 43% offered employees flexibility in terms of how much work they did, such as giving them the option to work four-day weeks at 80% pay as a way to cut costs without layoffs.⁴

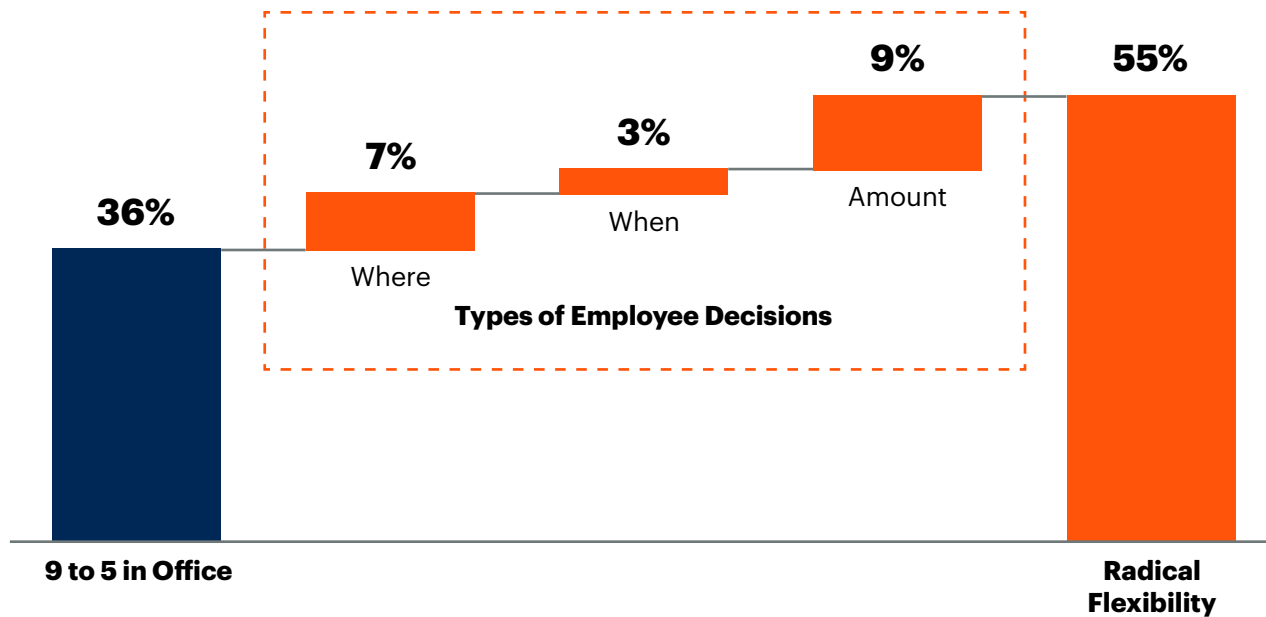
Some changes will be permanent: In a December 2020 survey, 90% of HR leaders said they expected the remote work arrangements their organizations adopted during the pandemic to remain in place afterward, and 65% said they expected to continue offering flexibility on when employees work.⁵

Before they were forced to try it, business leaders often doubted their employees would remain productive while working from home, but each lever of flexibility — where, what and how much to work — increases the number of high performers (see Figure 1). At a typical organization, with traditional nine-to-five jobs in an office, about 36% of employees, on average, are considered high performers. At organizations that offer radical flexibility — a choice in all three areas — high performers typically constitute around 55% of the workforce. That's a huge boost.²

We've seen many examples of organizations innovating in radical flexibility. Twitter announced that its employees would be allowed to work from home "forever," if they want.⁶ Siemens established a hybrid work model, allowing remote work two to three days a week as a permanent standard for 140,000 employees in 43 countries.⁷ Many other organizations shifted to a four-day work week without losing productivity and even without reducing pay.⁸

Those adopting four-day weeks are mostly startups, small companies and local governments, but larger organizations are beginning to experiment with it. Unilever, for example, is piloting a four-day week at its offices in New Zealand, where the prime minister has promoted the idea to employers throughout the country.^{9,10}

Figure 1. Percentage of High Performers Based on Flexibility



n = 5,000

Source: 2020 Gartner ReimagineHR Employee Surveys

Shared Purpose

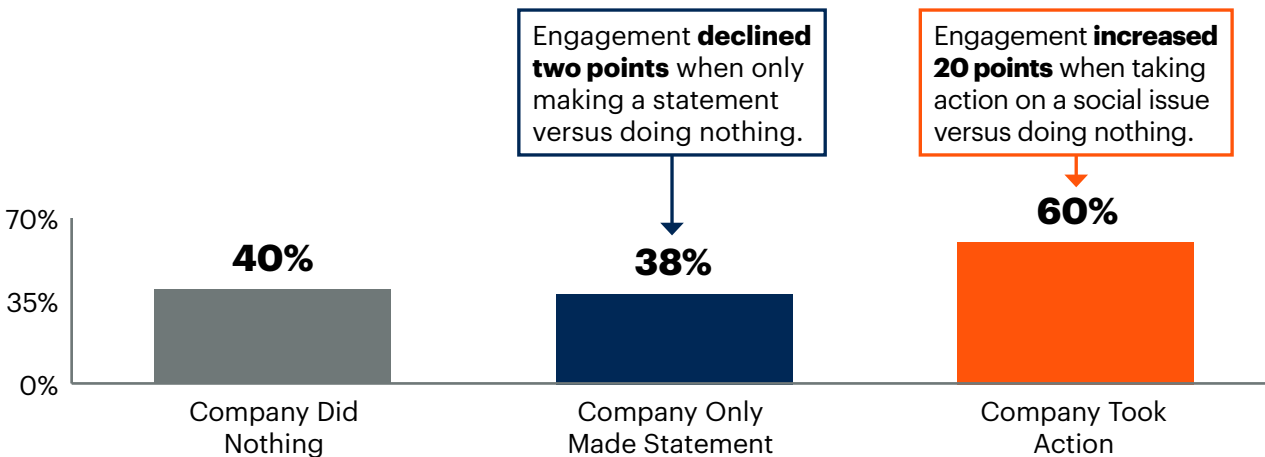
Partly in response to demand from employees for greater social engagement, businesses have been rethinking the conventional reluctance to take stands on public controversies. Three out of four employees expect their employer to take a stance on social or cultural issues, even if those issues are unrelated to their business.²

In 2020, these trends came to a head with the wave of protests in response to the killings of George Floyd, Breonna Taylor and other Black Americans by police. Suddenly, social media were awash in public statements from companies spurred by internal activism from their own employees. Silence was not seen as a viable option. But what these organizations soon discovered was that speaking out, on its own, was as bad as, if not worse than, saying nothing at all.

Employees at these organizations actually became more disengaged: Those who disagreed with the decision to make a statement were upset, but at the same time, those who were passionate about the issue were disappointed when their employer did not backup its words with actions. The only way to generate employee engagement through social purpose is to devote real resources to the issues employees care about (see Figure 2).

The most effective, socially engaged organizations are co-creating these strategies with employees, being transparent about what investments they make and planning dynamically, monitoring and adjusting these investments over time. Intel's network of local employees who volunteer on top of their "day jobs" is integral to the company's outreach to diverse suppliers in 24 countries. Unilever prioritizes gender equality internally and through external initiatives, such as anti-bias marketing campaigns, a partnership with UN Women to promote safety and empowerment of women working in the tea supply chain and a global task force on paternity leave.^{11,12}

Figure 2. Impact of Company Action on Employee Engagement
Percentage of Highly Engaged Employees



n = 600

Source: June 2020 Gartner U.S. Election Employee Sentiment Survey

Deeper Connections

The third dimension of the new deal responds to the blurring line between employees' lives in and outside of their jobs. There was a time when employers cared about the "work" person, and that was it. Later, the concept of work-life balance appeared — followed by work-life integration, which looks for ways to make the "life" part of employees' experience better, motivated by the prospect of the "work" part improving too.

It's time to dispense with all that. Work and life are not two separate things. An employee has a life, and work is part of that life. This changes the way employers should think about supporting the totality: the personal lives, family lives and community lives of their talent.

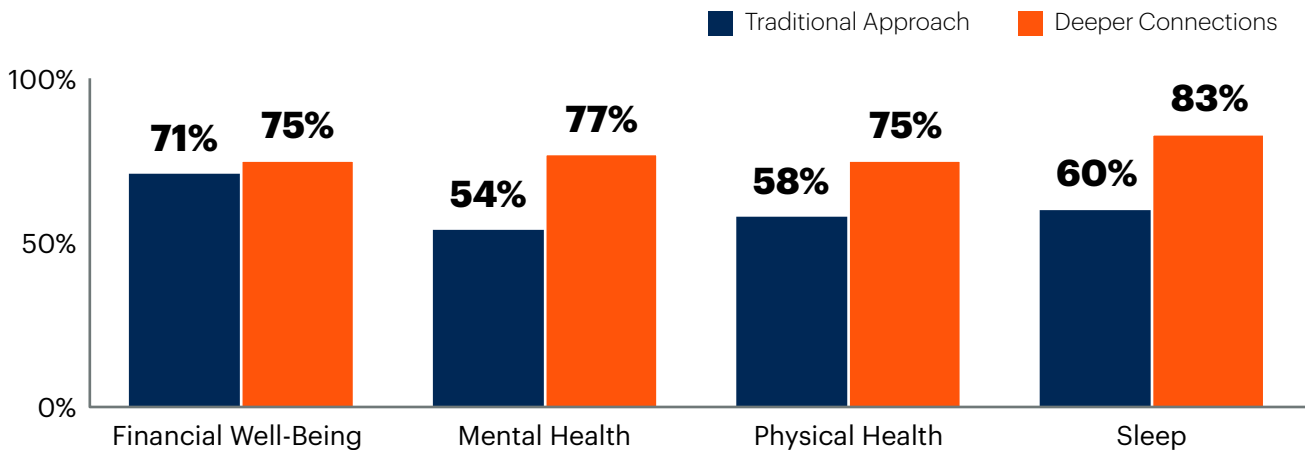
Here are some ways organizations have been offering holistic support in all three areas of life:

- **Personal** — Giving employees wearable devices to help them track and improve their sleep, expanding access to mental health services

- **Family** — Extending learning and development resources to employees' friends and family members whose careers have been affected by the pandemic, offering online programs to help employees' children succeed academically while their normal school educations are disrupted
- **Community** — Opening empty offices to local schools that need more space for social distancing, establishing healthcare facilities for employees and the community, supplying masks and other personal protective equipment to neighborhoods

When employers take a comprehensive approach to improving employees' lives, they see remarkably better outcomes: physical and mental health, financial well-being and even how well they sleep (see Figure 3). For organizations, this translates into a 21-point increase in the percentage of high performers and an 18-point increase in employee Net Promoter Scores.² The upshot is a healthier and more productive workforce, with employees who are more likely to stay with the organization for the long haul and recommend it to their network as an employer of choice.

Figure 3. Impact of Traditional Approach Versus Deeper Connections on Employee Well-Being
 Percentage of Employees Reporting Employers Have A Positive Impact on Various Aspects of Their Lives



n = 5,000

Source: 2020 Gartner ReimagineHR Employee Surveys

People-First Analytics Are the Key to Success

Nearly eight in 10 (78%) of corporate directors we surveyed ranked analytics among the top three game-changing technologies to emerge stronger from the COVID-19 crisis in their industries.¹³ Talent analytics will certainly be part of that transformation, and cross-functional collaboration will be essential in getting this right.

Instead of just trying to understand your workforce as a whole, you need to be more granular and understand your employees as individuals. This means taking a step beyond monitoring performance; build productivity profiles for your employees to understand when, where and how they work best — and share that information with them to help them progress in their careers. Instead of asking employees what they care about and making a philanthropic investment, track the investment's performance, share the data with employees and engage in a continuous conversation with them about how to do better. Redesign rewards so employees can access customized benefits that meet their individual needs.

Organizations today have access to more employee data than ever. To compete in the talent market of the 2020s, they must use that data ethically and strategically to redesign the employment deal and generate win-wins for themselves and their employees.

¹ Talent is America's Most Precious Resource — It's Time Economic Development Organizations Focus More on Developing It, Brookings Institution.

² 2020 Gartner ReimagineHR Employee Surveys

³ Modeled using the Gartner Turnover Cost Calculator, which provides estimates for the costs of turnover based on specific organizational inputs, direct turnover costs and indirect productivity impacts of employee attrition. The figure calculated here assumes an organization of 10,000 employees, with an average annual salary of \$50,000 and other assumptions based on benchmarking data.

⁴ 2020 Gartner ReimagineHR HR Leader Survey

⁵ Gartner HR Lessons From COVID-19 Webinar Poll (9 December 2020)

⁶ Twitter Will Allow Employees to Work at Home Forever, BuzzFeed News.

⁷ Siemens to Establish Mobile Working As Core Component of the 'New Normal', Siemens.

⁸ Surprising COVID-19 Side Effect: More Companies Adopt the 4-Day Workweek, Fast Company.

⁹ Unilever to Try Out Four-Day Working Week in New Zealand, Reuters.

¹⁰ Jacinda Ardern Flags Four-Day Working Week as Way to Rebuild New Zealand After COVID-19, The Guardian.

¹¹ Unilever and UN Women Announce a Global Partnership to Improve Women's Safety in the Tea Industry, UN Women.

¹² Why Championing Paternity Leave Empowers Men, Women and Business, Unilever.

¹³ 2021 Gartner View From the Board of Directors Survey.

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