

TOTAL REWARDS TOOL KIT

Total Rewards

Total rewards are the monetary and non-monetary return provided to employees in exchange for their time, talents, efforts and results. It involves the deliberate integration of five key elements that effectively attract, motivate and retain the talent required to achieve desired business results. The five key reward elements are:

- *Remuneration/Compensation*
- *Benefits*
- *Work-Life*
- *Performance and Recognition*
- *Development and Career Opportunities*

These elements represent the “tool kit” from which an organization chooses to offer and align a value proposition that creates value for both the organization and the employee.

An effective total rewards strategy is the art of combining these five elements into tailored packages designed to achieve optimal motivation. This results in satisfied, engaged and productive employees, who in turn create desired business performance and results. In this successful exchange relationship, the employee provides time, talent, efforts and results --- and the employer provides a total rewards package that is perceived as valuable by the employee.

The Context for Total Rewards

Total rewards operate in the context of overall business strategy, organizational culture and human resources strategy. Indeed, a company’s exceptional culture or external brand value may be considered a critical component of the total employment value proposition.

In addition, other external influences on a business that affect total rewards design include:

- Legal/regulatory issues
- Cultural influences and practices
- Competition
- Labor market

Total Reward Definitions And Examples

Remuneration/Compensation

Pay provided by an employer to an employee for services rendered (i.e. time, effort and skill).

Remuneration/Compensation comprises four core elements:

- *Fixed pay* – Also known as “base or basic pay”, fixed pay is nondiscretionary compensation that does not vary according to performance or results achieved. It usually is determined by the organization’s pay philosophy and structure.
- *Variable pay* – Also known as “pay at risk”, variable pay changes directly with the level of performance or results achieved. It is a one-time payment and must be re-established and re-earned each performance period.
- *Short-term incentive pay* – A form of variable pay, short-term incentive pay is designed to focus and reward performance over a period of one year or less.
- *Long-term incentive pay* – A form of variable pay, long-term incentive pay is designed to focus and reward performance over a period longer than one year. Typical forms include stock options, restricted stock, performance shares, performance units and cash.

Benefits

Programs an employer uses to supplement the cash compensation that employees receive.

These programs are designed to protect the employee and his or her family from financial risks and can be categorized into the following three elements:

- *Social Insurance*
 - Unemployment
 - Worker’s compensation
 - Social Security
 - Disability (occupational)
- *Group Insurance*
 - Medical
 - Dental
 - Vision
 - Prescription drug
 - Mental health
 - Life insurance
 - Accidental death and dismemberment insurance (AD&D)
 - Disability

- Retirement
- Savings
- *Pay For Time Not Worked* – These programs are designed to protect the employee’s income flow when not actively engaged at work.
 - At work (breaks, clean-up time, uniform changing time)
 - Away from work (vacation, government holidays, company holidays, personal days)

Work-Life

A specific set of organizational practices, policies and programs, plus a philosophy, which actively supports efforts to help employees achieve success at both work and home. There are seven major categories of organizational support for work-life effectiveness in the workplace. These categories encompass compensation, benefits and other human resources programs. In combination, they address the key intersections of the worker, his or her family, the community and the workplace. The seven categories are:

- *Workplace flexibility*
- *Paid and unpaid time off*
- *Health and well-being*
- *Caring for dependents*
- *Financial support*
- *Community involvement*
- *Management involvement/culture change interventions*

Performance & Recognition

Performance: A key component of organizational success, alignment of organizational, team and individual performance is assessed in order to understand what was accomplished, and how it was accomplished. Performance involves the alignment of organizational, team and individual effort toward the achievement of business goals and organizational success.

- *Performance planning* – is a process whereby expectations are established linking individual with team and organizational goals. Care is taken to ensure goals at all levels are aligned, and there is clear line of sight from performance expectations of individual employees all the way up to the organizational objectives and strategies set at the highest levels of the organization.

- *Performance* – is the manner of demonstrating a skill or capacity.
- *Performance feedback* – communicates how well people do a job or task compared to expectations, performance standards and goals. Performance feedback can motivate employees to improve performance

Recognition: Acknowledges or gives special attention to employee actions, efforts, behavior or performance. It meets an intrinsic psychological need for appreciation of one’s efforts and can support business strategy by reinforcing certain behaviors (e.g., extraordinary accomplishments) that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or non-cash (e.g., verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.). The value of recognition plans is that they:

- *Reinforce the value of performance improvement*
- *Foster continued improvement, although it is not guaranteed*
- *Formalize the process of showing appreciation*
- *Provide positive and immediate feedback*
- *Foster communication of valued behavior and activities*

Development and Career Opportunities

Development: A set of learning experiences designed to enhance employees’ applied skills and competencies. Development engages employees to perform better and engages leaders to advance their organization’s people strategies.

Career Opportunities: A plan for employees to advance their career goals, and may include advancement into a more responsible position in an organization. The organization supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organization.

Development and career opportunities include the following:

- *Learning Opportunities*
 - Tuition assistance
 - Corporate universities
 - New technology training
 - Attendance at outside seminars, conferences, virtual education, etc.
 - Self-development tools and techniques

- On-the-job learning; rotational assignments at a progressively higher level
- Sabbaticals with the express purpose of acquiring specific skills, knowledge or experience
- *Coaching/Mentoring*
 - Leadership training
 - Access to experts/information networks --- association memberships, attendance and/or presentation at conferences
 - Exposure to resident experts
 - Formal or informal mentoring programs --- in or outside one's own organization
- *Advancement Opportunities*
 - Internships
 - Apprenticeships with experts
 - International assignments
 - Internal job postings
 - Job advancement/promotion
 - Career ladders and pathways
 - Succession planning
 - Providing defined and respectable "on and off ramps" throughout the career life cycle

An Integrated Total Rewards Strategy

Culture

Culture consists of the collective attitudes and behaviors that influence how individuals behave. Culture determines how and why a company operates in the manner that it does. Typically, it is comprised of a set of often unspoken expectations, behavioral norms and performance standards to which the organization has become accustomed. Culture change is difficult to achieve because it involves changing attitudes and behaviors by altering their fundamental beliefs and values. Organizational culture is subject to internal and external influences; thus, culture is depicted as a contextual element of the total rewards model, overlapping within and outside the organization.

Environment

Environment is the total cluster of observable physical, psychological and behavioral elements in the workplace. It is the tangible manifestation of organizational culture. Environment sets the

tone, as everyone who enters the workplace reacts to it, either consciously or unconsciously. Because they are directly observable and often measurable, specific elements of the environment can be deliberately manipulated or changed. The external environment in which an organization operates can influence the internal environment; thus, environment is depicted as a contextual element of the total rewards model, overlapping within and outside the organization.

Attraction

The ability an organization has to draw the right kind of talent necessary to achieve organizational success. Attraction of an adequate (and perpetual) supply of qualified talent is essential for the organization's survival, and it is one of the key planks of business strategy. One way an organization can address this issue is to determine which "attractors" within the total rewards program brings the kind of talent that will drive organizational success. A deliberate strategy to attract the quantity and quality of employees needed to drive organizational success is one of the key planks of business strategy.

Retention

An organization's ability to keep employees who are valued contributors to organizational success for as long as is mutually beneficial. Desired talent can be kept on staff by using a dynamic blend of elements from the total rewards package as employees move through their career lifecycles. However, not all retention is desirable, which is why a formal retention strategy with appropriate steps is essential.

Motivation

The ability to cause employees to behave in a way that achieves the highest performance levels. Motivation is comprised of two types:

- *Intrinsic Motivation* – Linked to factors that include an employee's sense of achievement, respect for the whole person, trust, appropriate advancement opportunities and others, intrinsic motivation consistently results in higher performance levels.
- *Extrinsic Motivation* – Extrinsic motivation is most frequently associated with rewards that are tangible, such as compensation and benefits.

There are also defined levels of intensity with regard to motivation:

- *Satisfaction* – how much I like things here
- *Commitment* – how much I want to be here
- *Engagement* – how much I will actually do to improve business results

Another key plank of the business strategy, motivation can drive organizational success.

Your Total Rewards Inventory

Remuneration/Compensation

Base Wages

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- Salary Pay
- Hourly Pay
- Piece Rate Pay
- _____
- _____
- _____

Premium Pay

- Shift Differential Pay
- Weekend/Holiday Pay
- On-call Pay
- Call-in Pay
- Hazard Pay
- Skill-Based Pay
- Expatriate Pay
- _____
- _____
- _____

Variable Pay

- Commissions
- Team-Based Pay

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Bonus Programs

- Referral Bonus
- Hiring Bonus
- Retention Bonus
- Project Completion Bonus
- _____
- _____
- _____

Incentive Pay

Short-term:

- Profit Sharing
- Individual Performance-Based Incentives
- Performance-Sharing Incentives
- _____
- _____
- _____

Long-term:

- Restricted Shares
- Performance Shares
- Performance Units
- Share Options/Grants
- _____
- _____
- _____

Benefits

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Legally Required/Mandated

- Unemployment Insurance
- Worker's Compensation Insurance
- Social Security Insurance
- Other Medical Insurance
- Disability Insurance (if applicable)
- _____
- _____
- _____

Health & Welfare

- Medical Plan
- Dental Plan
- Vision Plan
- Prescription Drug Plan
- Mental Health Plan
- Life Insurance
- Spouse/Dependent Life Insurance
- Accidental Death & Dismemberment Insurance (AD&D)
- Short-Term/Long-Term Disability Insurance
- _____
- _____
- _____

Retirement

- Defined Benefit Plan
- Defined Contribution Plan
- Profit Sharing Plan
- Hybrid Plan
- _____
- _____
- _____

Pay For Time Not Worked

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- Vacation
- Holiday
- Sick Leave
- Bereavement Leave
- Leaves of Absence
(Military, Personal, Medical, Family Medical)
- _____
- _____
- _____
- _____
- _____

Work-Life

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Workplace Flexibility/Alternative Work Arrangements

- Flex Time
- Telecommuting
- Alternative Work Sites
- Compressed Work Week
- Job Sharing
- Part-time Employment
- Seasonal Schedules
- _____
- _____
- _____

Paid And Unpaid Time Off

- Maternity/Paternity Leave
- Adoption Leave
- Sabbaticals
- _____
- _____
- _____

Health And Wellness

- Employee Assistance Programs (EAP)
- On-Site Fitness Facilities
- Discounted Fitness Club Rates
- Weight Management Programs
- Smoking Cessation Assistance
- On-Site Massages
- Stress Management Programs
- Voluntary Immunization Clinics
- Health Screenings
- Nutritional Counseling

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- On-Site Nurse
- Business Travel Health Services
- Disability Management
- Return To Work Programs
- Reproductive Health/Pregnancy Programs
- 24-hour Nurse Line
- On-Site Work/Life Seminars (Stress Reduction, Parenting, etc.)
- Health Advocate
- _____
- _____
- _____

Community Involvement

- Community Volunteer Programs
- Matching Gift Programs
- Shared Leave Programs
- Disaster Relief Funds
- Sponsorships/Grants
- In-Kind Donations
- _____
- _____
- _____

Caring For Dependents

- Dependent Care Reimbursement Accounts
- Dependent Care Travel-Related Expense Reimbursement
- Dependent Care Referral And Resource Services
- Dependent Care Discount Programs Or Vouchers
- Emergency Dependent Care Services
- Childcare Subsidies
- On-Site Caregiver Support Groups
- On-Site Dependent Care
- Adoption Assistance Services

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- After-School Care Programs
- University/Scholarship Information
- Scholarships
- Privacy Rooms
- Prayer Rooms
- Summer Camps And Activities
- Special Needs Childcare
- Disabled Adult Care
- Geriatric Counseling
- In-Home Assessments For Eldercare
- _____
- _____
- _____

Financial Support

- Financial Planning Services And Education
- Adoption Reimbursement
- Transit Subsidies
- University Savings Plans
- Savings Bonds
- _____
- _____
- _____

Voluntary Benefits

- Long-Term Care
- Auto/Home Insurance
- Pet Insurance
- Legal Insurance
- Identity Theft Insurance
- Employee Discounts
- Concierge Services
- Parking

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- _____
- _____
- _____
- _____
- _____

Culture Change Initiatives

- Work Redesign
- Team Effectiveness
- Diversity/Inclusion Initiatives
- Women’s Advancement Initiatives
- Minority Advancement Initiatives
- Work Environment Initiatives
- Multigenerational Initiatives
- _____
- _____
- _____
- _____
- _____

Performance & Recognition

Performance

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- One-On-One Meetings
- Performance Reviews
- Project Completion/Team Evaluations
- Performance Planning/Goal Setting Sessions
- _____
- _____
- _____
- _____
- _____
- _____

Recognition

- Service Awards
- Retirement Awards
- Peer Recognition Awards
- Spot Awards
- Managerial Recognition Programs
- Organization-Wide Recognition Programs
- Exceeding Performance Standards Awards
- Employee Of The Month/Year Awards
- Appreciation Luncheons, Outings, Formal Events
- Goal-Specific Awards (Quality, Efficiency, Cost-Savings, Productivity, Safety, etc.)
- Employee Suggestion Programs
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- _____
- _____
- _____
- _____
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- _____

Development & Career Opportunities

Learning Opportunities

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- Tuition Reimbursement
- Tuition Discounts
- Corporate Universities
- New Technology Training
- On-The-Job Learning
- Attendance At Outside Seminars And Conferences
- Access To Virtual Learning, Podcasts, Webinars
- Self-Development Tools
- _____
- _____

Coaching/Mentoring

- Leadership Training
- Exposure To Resident Experts
- Access To Information Networks
- Formal Or Informal Mentoring Programs
- _____
- _____

Advancement Opportunities

- Internships
- Apprenticeships
- International Assignments
- Internal Job Postings
- Job Advancement/Promotions
- Career Ladders And Pathways
- Succession Planning
- On/Off Ramps Through Career Lifecycle
- Job Rotations
- _____
- _____

ADDITIONAL NOTES

WorldatWork Total Rewards Model

Strategies to Attract, Motivate and Retain Employees

