

TOTAL REWARDS

Why they matter

What they are

How they work

WHY THEY MATTER



Employers and employees need each other. Money makes the world go 'round. A day's wages for a day's labour.

The nature of work is evolving, requiring workers to adapt with it. Technology is a good example of how the demands of the workplace change over even short periods of time. Employees not keeping pace will soon be left behind. So too with total rewards. Compensation, benefits, and pension plans **need to evolve as well**.

Back in the days when clerks handed out paycheques every other Friday, employees could feel the envelope in their hands. It was only paper, but **it had weight**. They could tear it open. Extract their cheque. See their pay. It *felt* more real.

Today, EFT makes regular payroll deposits to accounts more convenient and automatic - but that also means companies have **one less touchpoint** with their workforce. One less connection between employee and employer.

And that's the point: we inherently desire to understand - to *feel* - **the connection between effort and reward**.

EMPLOYEE VALUE



“Happy employees ensure happy customers. And happy customers ensure happy shareholders - in that order.”

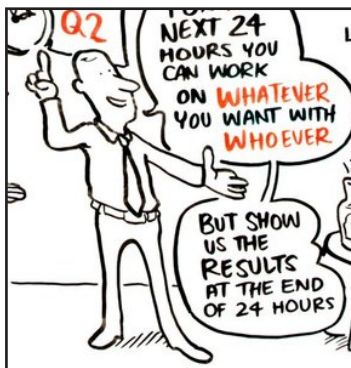
- Simon Sinek



The healthiest organizations recognize that taking care of its employees is crucial to its **ongoing success**.

While most companies talk about driving shareholder value, those organizations which truly understand that their people are indeed their best assets continuously seek to ensure their **total rewards spends** are targeted, purposeful and valued.

AUTONOMY + MASTERY + PURPOSE



More money does not necessarily mean greater results.

Celebrated business author Dan Pink summarized the impact of **Autonomy, Mastery and Purpose** on behaviour. He saw how these three elements have a greater impact on employee behaviour than simply increasing their pay.

People are influenced, positively or negatively, by **workplace rewards**. One size does not fit all where total rewards is involved. In fact, a program can act as an allurements for one type of employee but hold no value among others. Rewards need to be deliberate and defensible.

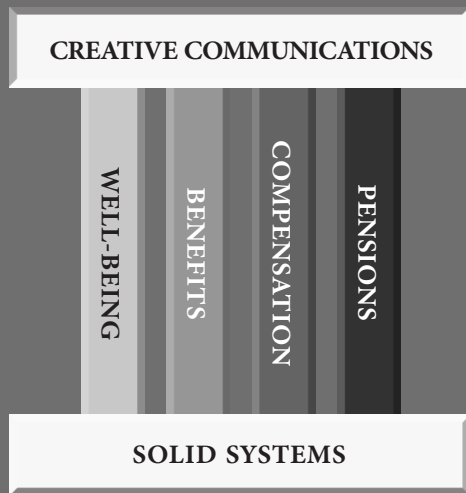
WHAT THEY ARE

No single total rewards program exists in a vacuum. Each element has a purpose; together they form a **continuum**.

The best programs serve to reinforce the behaviours the company requires from its employees. They do this by working together, often in the form of an **employee value proposition** - which is the better way to say, *What's in it for me?*

It helps to see how core **programs are related to each other**, and how they each serve specific employee needs.

PROGRAM PANTHEON



Pillars illustrate how various total rewards programs work together.

Wellness initiatives - also known as **preventative benefits** - address the employees' physical, mental and financial health: *an ounce of prevention is worth a pound of cure*.

The progression moves into core **benefits**, wherein health- and insurance-based plans help employees navigate evolving, complex benefits landscapes.

Compensation programs are also central, providing income and incentives to ensure behaviours align with the organization's business drivers.

Finally, pension plans - also known as **deferred compensation** - aim to help ensure a healthy post-work life.

Successfully delivering total rewards programs is dependent on **solid systems** - the unseen workings of good program management - coupled with **creative communications** to engage and educate participants.

CORE TOTAL REWARDS

Each program has its place.



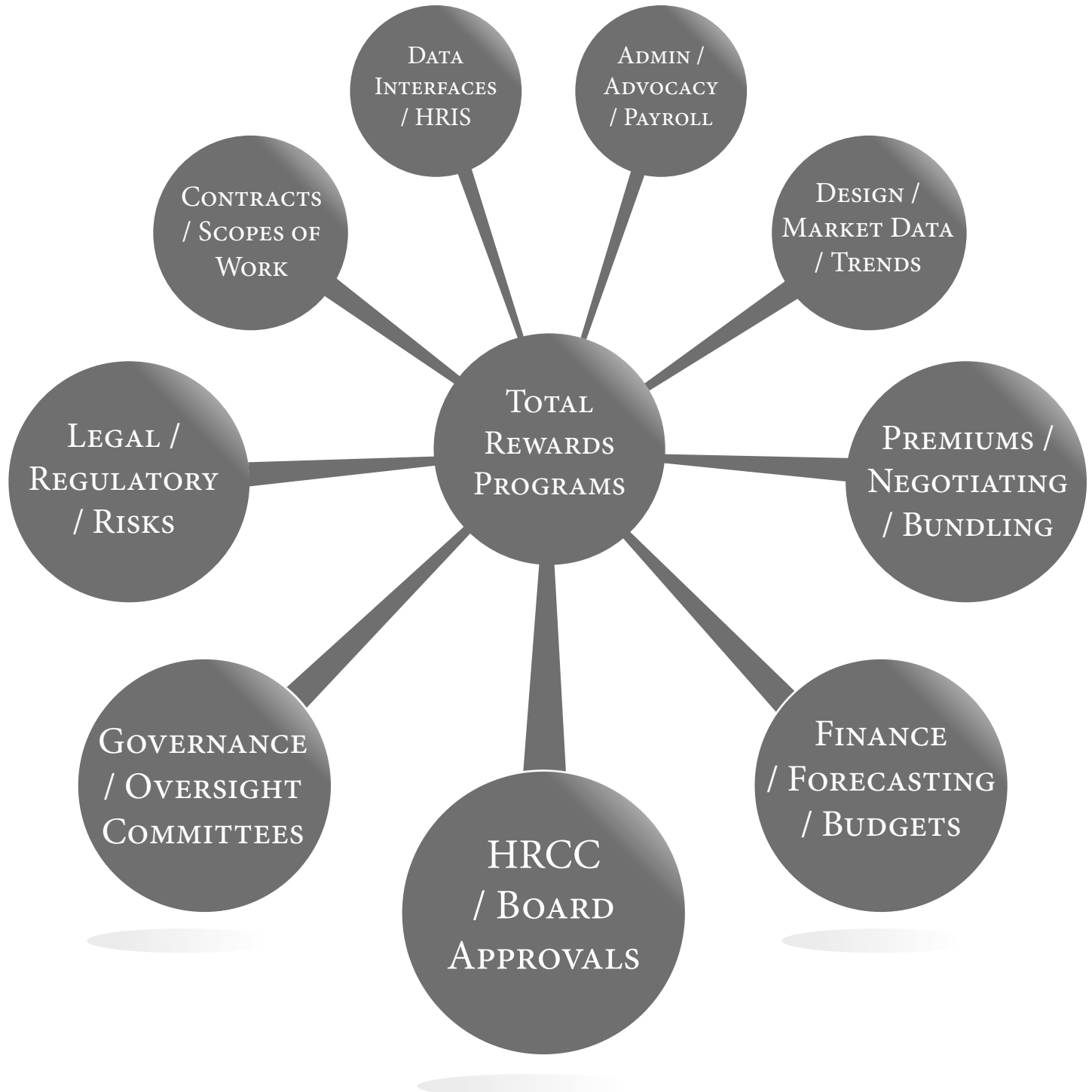
HOW THEY WORK



Programs require **support** from areas within the business, plus third-party professional services, to be successful.

Over the years, business have sought to migrate the more complicate aspects of total rewards to consulting services and insurance platforms. These service providers, for their part, continue to improve their **delivery models**, and seek to stay current with regulatory changes and industry trends.

No healthy total rewards design is ever complete. There is no longer any room for **set-it-and-forget-it** thinking.

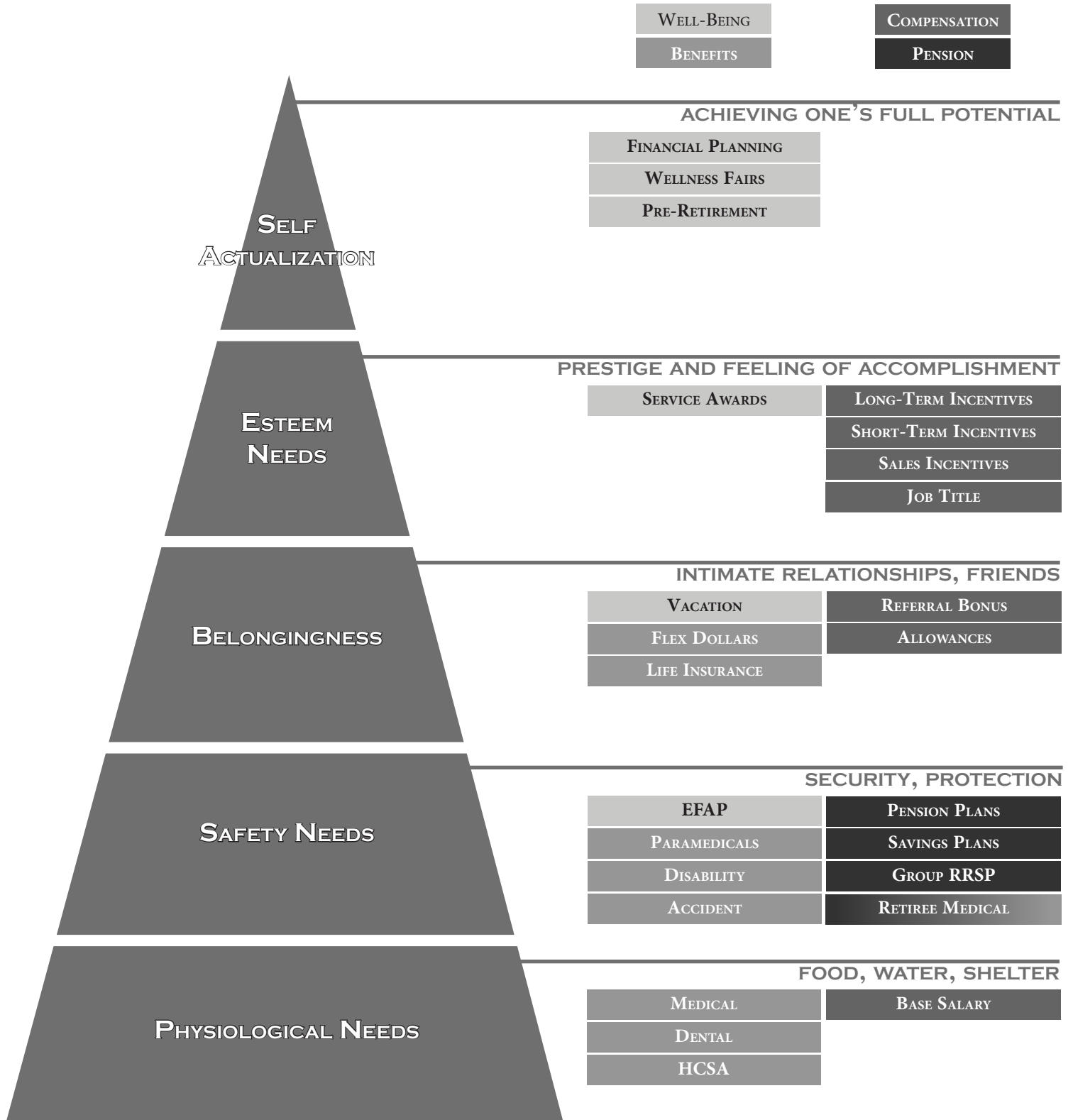


HIERARCHY OF TOTAL REWARDS



For every level in Maslow's famous hierarchy of needs, there are **associated programs** in total rewards.

And that's the point: the best compensation and benefit programs address the whole employee. This is why it is crucial to ensure that the **spectrum of programs** operate together. No total rewards program is an island.



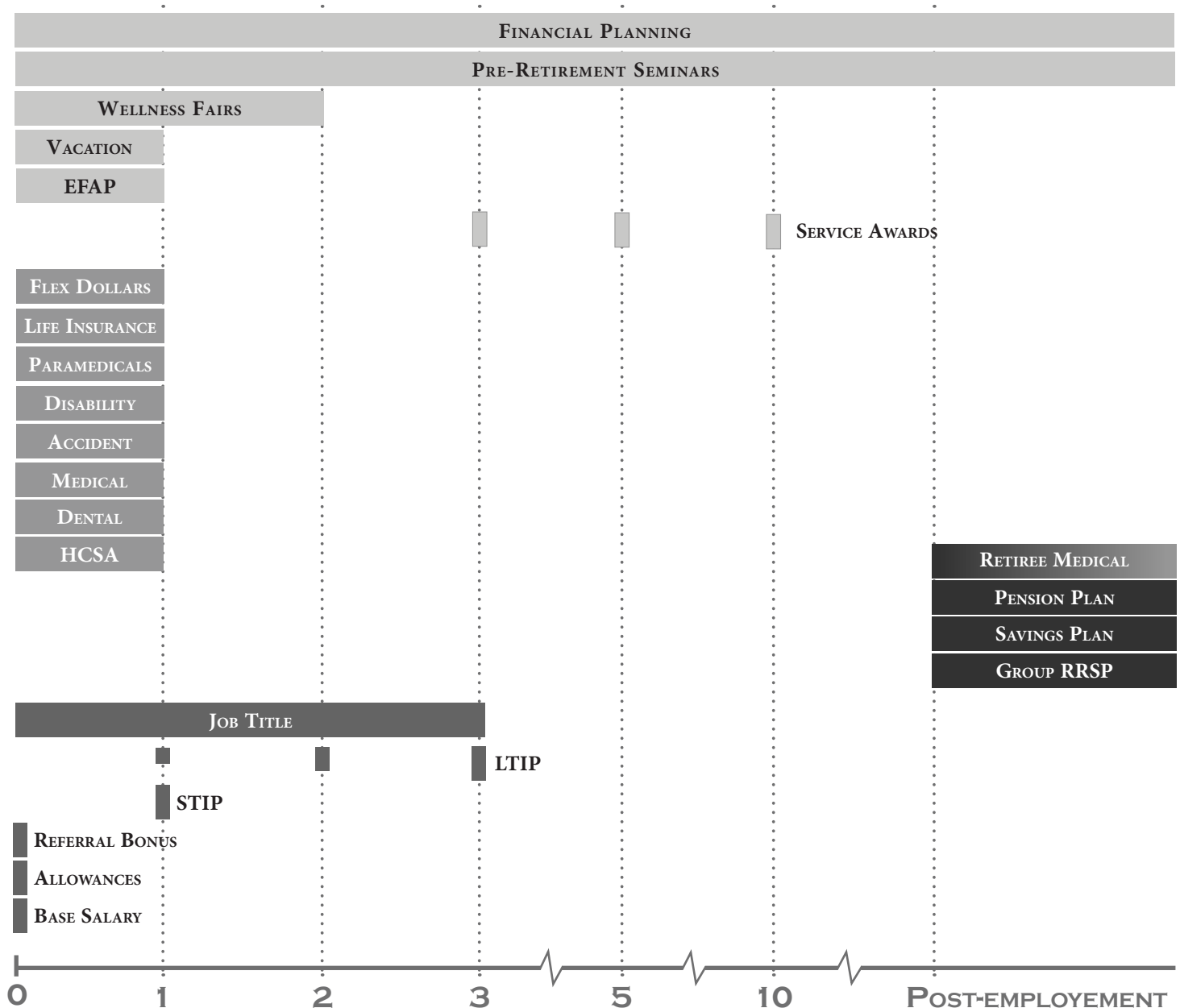
DURABILITY OF TOTAL REWARDS



Every level in the organization has a **focal timeline**. The more senior the role, the farther down the road the view.

Since Total Rewards programs strive to **promote appropriate behaviour**, there should also be timeline elements grafted into their design. This is typically true of short- and long-term incentives, yet also applies equally to other programs.

For example, benefits are set for a fixed time, typically renewed on an annual basis for the following 12 months.



The **durability of programs** are highlighted in blocks above. The wider the block, the longer its impact.

For example, the Short-term Incentive program (aka Annual Bonus) is an annual event sitting one year out on the time horizon. Since it is a single payment - that is, once it is paid it is resolved - it occurs as a single, limited event.

The **longer the focal timeline** for an employee, the more vital durable programs are to reinforcing desired behaviour.

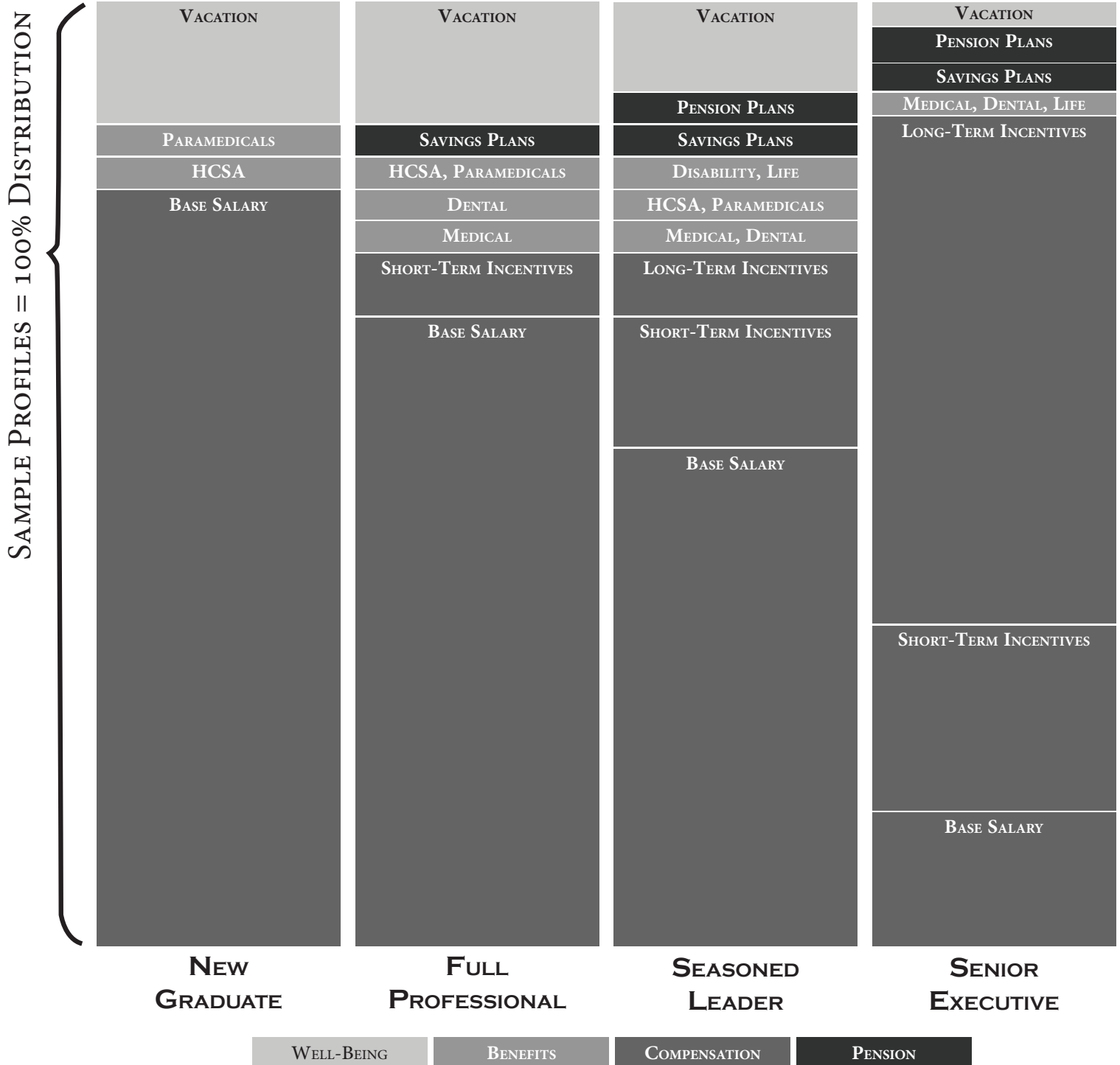
PROPORTIONS OF TOTAL REWARDS



Not every employee needs every program; indeed, not every program will appeal to every employee.

Regardless of their level within the organization, most **employees will find value** in a blend of compensation and benefit programs. Some employees value family benefits, while others prefer a strong DB pension. Combined with the hierarchy and durable timeline concepts, the weighting - or **proportionality** - of programs rounds out the total rewards picture.

There are many ways to look at program distribution, such as by discipline, leadership responsibilities, experience, etc. The following is a **general distribution** of elements based on seniority.



FORMALIZING TOTAL REWARDS



here are a number of **compelling reasons** to formalize your total rewards elements design.

The alternative is to launch programs and hope they accomplish their goals - and we all know **hope is not a strategy**.

EASIER TO COMMUNICATE

- we tend to undervalue what we don't understand
- increasing awareness of employer offerings increases participation
- hard to defend programs for which few participants harbour appreciation

market data is a major source toward ensuring competitiveness -
industry surveys have formal structures which companies must adhere to -
total rewards is a continuum, so any change to one program cascades to others -

EASIER TO CALIBRATE

EASIER TO COMPARE

- total rewards designs are notoriously difficult to compare
- company-sponsored programs are apples, oranges and pomegranates
- it is tremendously difficult to benchmark program spends without a formal design

in this era of wonder drugs, benefit costs threaten to soar -
understanding programs' underpinnings improves budget forecasts -
debate about the ROI of programs rages on, so spends need to be defensible -

EASIER TO BUDGET

EASIER TO DIFFERENTIATE

- as our careers evolve, so too do our benefits needs
- one of the key differentiators among job levels are different rewards
- formalized programs inoculate against the perception of inconsistency

a formal compensation structure makes promotions an event -
well-established programs provide parameters to guide desired behaviour -
performance reviews are easier to conduct when expectations are understood -

EASIER TO CELEBRATE

EASIER TO COMPETE

- the need to compete for top talent will only increase over time
- a clearly-articulated, fulsome total rewards offering sets the company apart
- expectations are better managed when a candidate understands their full package