

Total rewards: Everything you need to know

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Salary is important. It does not, however, convey the entire picture. In today's talent war, it's critical that your staff feel valued and appreciated. And the easiest method to do it is to inform them of your entire investment.

People frequently allude to their pay when negotiating a job or discussing their present compensation. Unfortunately, this means they're missing out on a sizable amount of their total reward and compensation package, including benefits, insurance, pensions, and other perks.

According to [Benify](#) research, 80% of employees undervalue their entire salary. Employers suffer financially on underutilized benefits due to this misinformation, and there's a higher chance that employees may leave for a job where they believe they'll be better paid.

Employees may see the total worth of their whole reward and compensation package, which goes beyond their wage when employers offer each employee a Total Reward Statement.

The concept of total rewards

A total rewards plan is a form of compensation and benefits system that corporations and organisations provide to their employees, including monetary and non-monetary incentives. Many companies offer a total incentives package to their employees to recognise and reward people and teams who meet specific objectives, goals, or other milestones. A good incentives plan will mix monetary pay and other advantages with professional growth and development possibilities.

A large-scale approach that fosters organisational transformation is required to design and implement a comprehensive incentives plan. The success of a rewards system as a whole is dependent on senior executive and management buy-in. Your project team should include both decision-makers and front-line staff to ensure that your plan is well-rounded and fulfills the needs of everyone at the table. If you operate in a unionised environment, you should be aware that collective bargaining may affect how your plan is carried out. It goes beyond base compensation by emphasising the variety of perks included in the job package. It fosters and supports employee involvement, which improves the company's

performance. Its goal is to strengthen the psychological contract between company and employee by giving all employees a voice and a choice in overall compensation programs. The total reward is a long-term strategy that doesn't have to be complicated theoretically. It does not have to contain all of the monetary values of the employment package to be beneficial to both the business and the employee. It can be based on incremental rather than drastic change. It may be implemented gradually and at a low cost by learning about employees' incentive preferences and successfully conveying what is currently in place. Employees who participate in a total rewards program receive a comprehensive bundle of advantages, awards, and incentives. They are intended to entice employees to stay with your organisation.

A whole incentives package includes both traditional and non-traditional offerings.

Traditional offerings include:

- Base pay is one of the most standard options (either a salary or hourly wage rate)
- Healthcare access/health insurance
- Dental and vision coverage
- Contributions and retirement plans
- Insurance on one's life
- Paid vacation (PTO)
- Options on stock (if applicable)

Offerings of non-traditional remuneration packages include (but are not limited to):

- Variable pay bonuses (performance bonuses, profit sharing, etc.)
- Training provided by the company / Opportunities for advancement in one's career
- Programs for employee wellness/health and well-being
- Options for workplace flexibility / Work-life balance
- Plans for identity theft protection
- Employee discount schemes
- Programs for Employee Assistance (short-term counselling, retirement planning, etc.)

Uses of total rewards strategies

There are numerous benefits to total compensation schemes, and companies and organisations that implement one may do so for a variety of reasons. The following are some of the benefits of total reward

programs and how businesses use them:

Perform better than the competition

One of the key reasons corporations may adopt comprehensive rewards methods is to provide employees with something that other businesses and organisations cannot. This means that many organisations discover methods to provide highly qualified professionals with remuneration, benefits, and development opportunities to support growth and profitability, ultimately beating competitors.

Recruiting and retaining exceptional talent

A company that adopts a whole incentives package can provide its unique perks to recruit the most qualified individuals to the organisation to outperform other businesses. Total incentive strategies also increase staff retention, which is critical for its growth, development, and overall ability to meet its goals.

Increase staff productivity by motivating them

Many businesses can use a comprehensive rewards system to motivate employees to stay on track with their objectives. For example, a complete incentives approach that includes a monetary incentive, a fitness program, or a flexible work schedule can be a fantastic motivator to keep employees engaged and on track with essential goals.

Provide advancement opportunities

Opportunities for job advancement are frequently included in effective total rewards packages. For example, company-sponsored training programs can help motivate staff while supporting their development. Employees who participate in these types of incentive programs will get additional skills and knowledge that will directly impact their work performance.

Recognise and provide incentives for success

Total rewards strategies are ideal for recognising teams as well as individual employees. A rewards

strategy that recognises employees who defy the odds or go above and beyond for their teammates and supervisors, for example, is an effective tool for incentivising success. When they achieve their goals, recognising and acknowledging employees fosters a positive work environment in which employees can find support for taking on challenges, advancing, and succeeding in their careers.

Components of total rewards strategies

The best total rewards system is a mix of monetary and non-monetary incentives. According to the Society for Human Resource Management, it can provide substantial business results in enhancing productivity and loyalty, and hiring benefits. An effective incentives program should make your organisation stand out from other employers. A robust rewards system is built on five pillars: remuneration, benefits, flexibility, performance recognition, and career growth.

A Total Rewards package consists of five items listed below:

Compensation



Compensation in a total rewards system consists of a base salary and additional benefits under variable pay. Variable pay recognises and rewards performance within the company, which motivates employees to perform better.

Variable pay can be either short-term or long-term in nature.

Short-term variable pay is compensation given to employees who achieve short-term productivity increases. It is available for a limited time, usually less than a year.

Long-term variable pay consists of cash bonuses and stock options given to employees who perform exceptionally well for more than a year. It's a tried-and-true strategy for increasing profits, employee

retention, and employee satisfaction.

Professional Development and Recognition



Employees leave their employment for the most common reason: a lack of advancement chances. Don't let this be the reason why your finest employees depart. Provide professional development opportunities suited to your employees' growth objectives, and be sure you provide the tools they require.

Professional development comprises many learning and development possibilities, such as tuition reimbursement, mentoring, and clearly defined career paths. For example, a company may pay for everyone in a department to access an appropriate online course.

Employees must believe that their efforts are valued and vital to the success of your organisation. [Jeff Haden](#), a contributing editor, suggests developing a "recognition culture" in which management regularly delivers specific, authentic, and timely feedback.

Personalised acknowledgement of well-done work can range from an individual acknowledgement to a formalised recognition program, such as an employee of the month or year award. Incentives, like a plaque or a reward, frequently include informal programs.

Work-Life Balance



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Work-life balance refers to allowing employees to accomplish personal duties or aspirations. Some firms, for example, enable employees to arrive early or leave late to get their children on the bus or attend their child's events. Employers may also set up volunteer programs, provide childcare subsidies, or offer stress-management resources.

According to [Erick Dirks](#), more than half of all employees in the United States report feeling overworked, with 28% reporting feeling this way frequently or very frequently. To keep your employees satisfied, you must be able to assist them in building a manageable workflow and striking a healthy balance between work responsibilities and other personal obligations. Try to be accommodating to employees who may have unusual schedules due to family obligations. You can also provide retirement planning guidance to employees and detailed overviews of investment possibilities.

Benefits

Under the total rewards paradigm, employers may attempt to give benefits that go beyond the legally mandated minimums of Social Security, Medicare, unemployment compensation, employee insurance, and state disability insurance. Your vacation package, coupled with leave of absence, medical leave, and compassionate leave, can help you attract top talent. Consider providing a range of retirement options, ranging from modest Individual Retirement Accounts to retirement pension plans.

Because the goal is to give employees a positive image of the perks available, you may consider flexible benefits or a cafeteria program. These systems provide employees with 'benefits credits' equivalent to a set cash amount that they can 'spend' on any combination of perks they like. According to the [Bureau of Labor Statistics](#), in March 2021, 15% of civilian workers had access to flexible benefits, while 11% of private-sector workers had access, and 37% of state and municipal workers had access. Within the education and health care industries, 35% of workers in junior colleges, colleges, and universities, 35% of elementary and secondary school workers, and 36% of hospital workers had access to flexible benefits.

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Salaries and wages

Incentives are examined holistically in the total rewards model and include only base wage and other compensation that inspire employees to perform effectively. A variable-pay system, for example, pays employees based on their performance. When employees reach this pay level, they must earn it again for each consecutive pay period.

Short-term incentive pay provides additional remuneration for performance improvements in the short term (less than a year). Long-term incentive pay rewards like stock options and cash bonuses for long-term productivity and performance. These choices appeal to top employees because they know they can constantly beat expectations.

How to develop a total rewards strategy

Creating and implementing a total rewards plan necessitates a large-scale approach that promotes organisational change. The buy-in of top executives and management is essential to the success of a total rewards approach. To guarantee that your strategy is well-rounded and satisfies the needs of everyone, your project team should include both decision-makers and front-line personnel. If you work in a unionised setting, you should be aware that collective bargaining may impact how your plan is

implemented.

Creating a comprehensive rewards strategy is a four-step approach that includes the following steps:

Assessment:

A project team evaluates your present benefits and compensation system to establish its efficacy in assisting your firm in meeting its objectives. During the evaluation phase of the process, you will poll your employees to determine their attitudes and beliefs about their salary, perks, and possibilities for growth and development, as well as examine your current policies and procedures. The project team evaluation report, which includes your recommendations for the new overall incentives system, is the most important consequence of the assessment phase. The evaluation report should provide solutions to queries like:

- Who should be eligible to receive the rewards?
- What kinds of actions or values will be rewarded?
- What kinds of incentives will be most effective?
- How will the company fund this?

Design:

The senior management team investigates and analyses numerous reward strategies to determine which ones would be most effective in their company. It decides what will be rewarded and how employees will be rewarded for their efforts. Pay rewards for goal achievement will not be the primary factor in a comprehensive rewards approach. HR strategists will also evaluate what additional advantages (flexible work schedules, more time off) or personal development chances (training or promotions) employees will receive to attain the company's defined goals.

Implementation:

The new awards system is put in place by the HR department. It disseminates materials to staff that explain the new plan. Training also begins so that managers and decision-makers can effectively measure accomplishment and employees can comprehend what they need to achieve to receive the rewards.

Evaluation:

The effectiveness of the new plan must be measured and the results communicated to company decision-makers. Based on this, modifications can be proposed to the strategy for future implementation.

Rethinking Total Rewards Strategies

The real competitive advantage in any business is one word only, which is "people"

–Kamil Toume

The planet has undergone the most unforeseen transformation in just a few months. While the entire impact of this black swan is still unknown, organisations are adapting to the new paradigm. They have gone above to care for their people and their business, but there is still work to be done to address the demands of employees to develop a sustainable growth model.

Most employees have experienced a rollercoaster ride. The dread of getting laid off, becoming infected, balancing work and life, and various other serious weaknesses lingers. They were all lost, and they most likely still are! As the virus spreads, authorities proactively redefine and revamp plans to fit today's and tomorrow's needs. Every day, the new and next to normal are examined and revised.

Total Rewards Strategy should be:

REALISTIC

EMPATHETIC

WELL-BEING CENTRIC

ADAPTABLE

RESET-ABLE

DIGITAL

Realistic: With unpredictability being the sole guaranteed situation, an individual's perspective on basic requirements has shifted considerably. The complete incentive system should try to provide what is required and should not be merely a checkbox initiative. It must be genuine, accessible, and transparent. The policies should specify how employees can earn awards or become eligible for them.

Empathetic: The key is to adopt humility. Organisations must set aside preconceived notions about viewpoints, understanding, prejudices, and relevance. Policymakers should have been more cognizant of their employees' needs, desires, and motivations. They must then consciously connect these needs with their tactics to achieve a win-win situation. "To establish a great employee experience, you need to understand what matters most to your people," says [Julie Bevacqua](#).

Well-being centric: In today's society, where stress outnumbers everything else, well-being, coupled with empathy, is a "MUST-HAVE" item. Emotional and mental well-being should never be jeopardised! Organisations should consider establishing and implementing total rewards programs that consider people's well-being based on their life and career stage.

Before COVID-19, few organisations focused on employee well-being programs and policies, but according to current data, 87% of organisations have included well-being as a foundation of their total rewards strategic planning framework.

Adaptable: Organisations must guarantee that the defined plans align with company norms, markets, current scenarios, and current requirements. The Total Rewards System should be adaptable and simple enough to be tweaked, modified, changed, and made useful as often as necessary.

Reset-able: Policymakers have a bad habit of clinging to their prized policies because they were well-thought-out and worked wonders when they were first implemented. We sometimes agree to tweak scenario thrusts, such as the COVID-19, but refuse to replace them. Policymakers must comprehend and accept the concept of relevance. Research – evaluation – planning – implementation – evaluation If the

outcome is not as expected, accept it and, if necessary, CHANGE! RESET!

Digital: The days of relying heavily on traditional techniques and approaches are long gone. COVID-19 swept away all of our claimed in-person advantages and benefits.

Management must reconsider and realign all non-monetary incentives with the digitally examined and exploited world of work.

Our rewards system must appear and feel authentic in this virtual environment to keep our intergenerational workforce connected, collaborative, and motivated.

In today's competitive world, organisations might benefit from implementing a complete overall incentives approach. Several essential components are missing from our traditional strategy. TRS components such as basic salary, health insurance, paid time off, employee physical fitness, and related factors have received much attention. Employees expect their employers to provide them with financial, physical, mental, and social well-being, as well as a little extra.

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