

Total rewards - create transparency, improve performance and avoid double dipping

Background

Historically, remuneration practice focused on base salary as the core remuneration for staff. Benefits such as employer contributions to superannuation and health schemes, and payment of professional and gym subscriptions were add-ons (the “icing on the cake”), and created a paternalistic approach to employment.

Tax incentives aside, this had the potential for double dipping if staff salaries were set at market levels **and** benefits were provided on top. The value of the whole remuneration package was not typically considered. This masked the real value of benefits to staff and often created an expectation that benefits would be provided as a matter of course.

Total Remuneration

Market trends over a number of years have shown a move away from this salary based approach towards a total remuneration approach. Some companies have valued some or all of the benefits as part of the overall total remuneration package, whilst others have provided an element of choice with a menu of benefits, and their associated values, for staff to choose from. These benefits include company cars, car parks, cell phones, home telephone costs, superannuation and discounted products.

Where this change towards a total remuneration approach has occurred, greater transparency is provided and the risk of double dipping has been reduced. Other benefits include: staff understanding how well they are actually remunerated; how competitive the company’s overall remuneration position is compared to their market and therefore the value companies place on their staff; and of course better understanding of, and therefore greater control over, costs.

Total Rewards - What are they?

Total rewards include both intrinsic (monetary) and extrinsic (non-monetary) elements. Zingheim and Schuster describe four key total rewards components as follows:

TOTAL REWARDS COMPONENTS	
Individual Growth	Compelling Future
Total Pay	Positive Workplace

Clearly valuing and communicating all forms of rewards in staff packages creates even greater transparency and facilitates the attraction and retention of high performing individuals.

Pay and other rewards are also effective change tools. They grab everyone’s attention and can be implemented in a relatively short timeframe. A smorgasbord of intrinsic and extrinsic rewards is provided in Table 1. These can be used to establish relevant rewards for achieving the company’s goals. In addition, they can be tailored to meet the needs of the people who will attain the goals.

Performance Rewards

Effective performance-based rewards programmes also play an important strategic role in attracting and retaining the right staff. Of course, there needs to be a win-win element in the balance between providing an attractive total rewards programme and measurable performance improvements for the company.

With performance-based rewards, we need to be wary of another potential for “double dipping”. This is where increases are made to remuneration packages to reward for performance **and** other performance-based incentives are provided on top.

Some performance-based incentives to consider include share plans, company profit schemes, bonuses, mystery weekends, and gift baskets.

Some Tips for Implementing an Effective Total Rewards Programme:

Gain Commitment from the Top

As with all projects, short and long term commitment from your company’s leaders are essential for the success of your project.

Communicate with and Involve Staff

Make sure staff have a clear understanding of the reasons for change, and involve them in making the changes to ensure buy-in and relevance.

Choose Relevant Rewards

Select the kinds of rewards that would attract and retain the kinds of staff who can contribute to the organisation’s goals. (See Table 1)

Value Rewards

Make sure your company and staff alike, understand the value of each reward to ensure transparency.




Develop Relevant Business-oriented Performance Measures

Ensure your performance measures drive the business in the direction you want, and assist in achieving the kind of company performance you need.

Ensure Rewards are Always Awarded once Performance Targets Have Been Met

Nothing is more demotivating than not delivering on a promise. When developing your programme, make sure your company can afford to pay out or deliver the agreed rewards.

Table 1

Intrinsic Rewards	Extrinsic Rewards		
	Financial (Indirect) 	Financial (Direct) 	Non-financial 
Rewards provided for individual employees which are dependent on the employee's work performed and value systems. <ul style="list-style-type: none"> • Future career opportunities 	Protection Programmes Statutory <ul style="list-style-type: none"> • ACC • Parental Leave Voluntary <ul style="list-style-type: none"> • Liability insurances 	Fixed Remuneration <ul style="list-style-type: none"> • Base Salary • Premium payments • Fixed allowances • Overtime 	<ul style="list-style-type: none"> • Appreciation and thank-you's • Belonging to a prestigious company • Supportive, friendly work environment
	Pay for Time not Worked <ul style="list-style-type: none"> • Holidays • Leave (sick leave, dependent care, long service leave) • Jury duty • Lunch breaks • Additional Leave 	Variable Remuneration <ul style="list-style-type: none"> • Incentive schemes • Profit sharing • Gain sharing • Bonuses 	
	Employee Services <ul style="list-style-type: none"> • Subsidised food or cafeteria • Subsidised childcare • Employee assistance programmes • Education assistance 		
	Employee Perquisites (Perks) <ul style="list-style-type: none"> • Professional memberships • Company cars • Car parks • Health insurance • Home telephone • Club memberships • Health Insurance 		