

What's your investment in employees?

This month, in line with Christmas shopping, we'll look more at the investment in your employees. What's the "I" side of the ROI equation?

Thousands of employers don't communicate the value of packages to employees. If you are providing a guaranteed benefit and not letting employees know what this costs, you may as well not bother providing it.

We often hear "employees don't value X ... employees don't care about Y". Such generalisations are often based on anecdotal perceptions, combined with a complete lack of communication about the value of the benefits. While many employees do like cash, there are plenty who value other things. Don't be over-influenced by the squeaky wheels.

We recently came across an organisation that had cashed up its cars, providing reimbursement only, to provide employees with more choice. A few years down the track, employees are asking for their cars back, because they now understand the value of having the car serviced, registered, insured, bought and sold by someone else. Similarly, people with pre-existing medical conditions will love group health schemes because these conditions are covered – they are also common. How many people in your company have asthma? Group coverage also slashes the costs of some other benefits, like salary continuance insurance. Think carefully about costs AND benefits before you make a blanket decision to cash everything up.

We guarantee that when your employees are rung and asked about their interest in a job with a competitor, offering a package that adds up all the benefits, they will focus on the total. If your employee on \$55,000 is offered a package of \$80,000, it's likely they will suddenly feel underpaid. However, if they are receiving a \$55,000 base salary, \$5,500 employer superannuation contribution, a \$15,000 car, a \$3,000 carpark and \$1,500 of health insurance, they are already on a fixed package of \$80,000. But if you only communicate the value of their base salary, that's what they will focus on.

We agree you have to be more careful about how you communicate variable pay. It isn't guaranteed. It's probably wise to separate actual bonus and incentive earnings from statements about the value of a fixed package. This doesn't mean you needn't communicate it – just be thoughtful. And make sure it's variable, not merely dished out as base salary in disguise, for no good reason, year after year.

For example, using the package above you may want to use something like this:

Annual Remuneration Statement	
Base Salary	\$ 55,000
Benefits	
Company Superannuation Contribution	\$ 5,500
Car (full private use)	\$ 15,000
Car Park	\$ 3,000
Health Insurance	\$ 1,500
Total Benefits	\$ 25,000
Total Fixed Remuneration	\$ 80,000

Sales, bonuses and commissions are not included in Total Fixed Remuneration because they are dependent on your efforts and are not guaranteed income.

In 2007, you achieved good sales results, and earned \$5,321 bonuses from high-value customer acquisitions and \$15,397 commissions from high-margin product sales.

Your total remuneration for 2007, including variable pay, was \$100,718.

Not bad for someone who thought they were on \$55,000. And not bad for the company either, because bonuses and commissions were paid for sales that added value, not for high volume, low margin sales that contribute little to the bottom line.

The take-home message from this series is – know what your key targets and objectives are, cascade these down through your organisation, and ensure your remuneration structures measure and reward their achievement.

And the take-home message for this time of year – have a very happy festive season and enjoy that 4 weeks' leave you are now entitled to!