

Embrace the Total Rewards Concept

Traditional thinking has held that what rewards employees is good pay and good benefits. If an employer provides both things, the employer will surely excel in its business through high morale, commitment, and loyalty. With the massive changes that have occurred in the workplace in recent years, limiting an organization's rewards program to pay and benefits is no longer enough.

Throughout history, employers have been challenged to attract, retain, and motivate employees. From the simplest barter systems of centuries past to the current complex incentive formulas of today, the organizational premise for rewards has been the same: provide productivity and results to us, and we will provide something of value to you.

We know that in today's world and business environment, a one-size-fits-all approach to rewards no longer works. Many developments have caused employers to see this, including global economic development, a much more competitive business environment, diversification of the workforce, rapidly rising benefits costs, and heightened competition for talent. Out of the chaos has emerged the concept of "total rewards."

Simply put, total rewards can be defined as anything the employer offers in return for employees' membership, commitment, and contribution. The narrow definition of total rewards has been compensation, benefits, and sometimes training. This is better labeled "total compensation." Total rewards include everything that is rewarding about working for a particular organization. Total rewards may also be called the "value proposition."

The rewards an employer can offer fall into four categories:

- Compensation: base salary, incentive pay, and recognition
- Benefits: health care, other group benefits, retirement, work/life programs, paid time off
- Individual Growth and/or Development: advancement, a compelling future, performance support, succession planning, lateral career movement, and training and development
- Work Environment: the work itself, organizational image, leadership, organizational policies, work/life balance, culture, and affiliation

It is the individual growth and work environment components that are receiving a great deal of attention these days as employers focus on enhancing their attractiveness as a place to come, to excel, and to remain. Good pay and benefits will always be important, but research strongly suggests they are not enough. For example, employees want a compelling future, which means they want a vision of the future in which they are an essential part. The smart employer will develop ways to make its employees stakeholders by creating a work environment that provides win-win opportunities and creates enthusiasm to build the organization into one that employees are proud of.

Individual growth is an overlooked and under-leveraged dimension of total rewards. In terms of work environment, employees want meaningful work, high (but fair) standards, and a clear sense of purpose and direction. Workers value a level playing field and the opportunity to be and to feel competent. Specific strategies to provide these experiences include job enrichment, focusing on challenges, increasing employee autonomy, connecting the employee into the mission of the organization more directly, and providing appropriate feedback.

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With total rewards, the impact of all the reward components is greater than the sum of any of the components individually. Forward-thinking organizations, leaders in their markets, and employers of choice are embracing the total rewards concept. They are using a critical and strategic eye to evaluate the state of their formal and informal rewards program and to repackage the offerings into a comprehensive, flexible, attractive rewards system. The bottom line is the recognition that total reward strategies must have a strong link between rewards and performance.

As current macro-economic trends continue, including the increase in the wage gap between entry level employees and skilled employees, shortened business cycles, the blurring of the definition of employment, massive retirements, the obscuring of national boundaries, and increased workforce diversity, a total rewards focus will move from a nice component of the employment program to a mission-critical strategy for the success of tomorrow's organizations. Smart employers, those highly focused on achieving and exceeding their business goals, are starting today.

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