



Total Rewards Strategies. Is It Time to Update Yours?

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Setting the Table for Total Rewards

Why did you go to work today? Yes, you need a paycheck to live, to make ends meet, but why this particular job? Why will you go back tomorrow?

While compensation is undoubtedly the biggest factor in why we go to work, there is hopefully much more that forms the full picture of why we do what we do. And the answers will be as numerous as the individuals themselves. It could be health benefits that dependents rely on, or liberal time-off policies that match up with the wanderlust of youth. Or it could be progressive parental leave policies that match up with the family planning horizon. It could be a combination of these things.

What we do know for sure: it's different for everyone. And it is dynamic.

The reasons why we work will likely change for an employee several times over the course of a career. The importance of progressive paternal leave policies will matter to current and prospective employees in that phase of their lives. As they age, their priorities will change. Saving for education and retirement could come to the foreground. Staying healthy enough to enjoy retirement will be valued. For employers dealing with generational shifts, competitive pressures and other factors both internal and external, it's a good time to revisit

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the concept of total rewards — a philosophy that puts the employee experience at the center. We'll discuss it using the Total Rewards Halo™ framework we've developed, breaking down the components within the Halo, and follow up with action items for putting that framework to good use in your organization.

Total Rewards

A total rewards program is key in the creation of the employee experience. When done well, a total rewards strategy elevates that experience, enhances the brand and creates value for the company in reputation and esteem. When done poorly, it dampens the employee experience, reflects negatively on the brand and breaks down that value creation. A common problem for employers is the disconnect between compensation and benefits. A hiring manager making compensation decisions may not be coordinating details with the leader who manages healthcare benefits. I can tell you, from my hard-earned personal experience, that's a mistake. An employee will see and feel the entire picture — that's why coordination, open lines of communication and employee feedback are critical.

Employees will know if the balance is off. For example, if employee benefits are added while compensation stagnates or falls, an employee who is in perfect health but wrestling with cost-of-living increases may feel the disconnect acutely. To provide a concrete example, an employee's rent has gone up and her compensation is flat. She has a top-shelf healthcare plan, but is in great health, so some of the resources directed to that plan may be misspent. There are factors – environmental, generational, geographic – just to name a few, that can affect the perceptions of total rewards in your workforce. For example, when the pandemic hit in 2020, we saw how a disruption in the general public health could impact work and what mattered to employees. In almost an instant, benefits such as job security, work from home, and paid sick and family increased in value.

Societal changes have brought work and quality of life questions roaring into the consciousness of HR and corporate leaders. It's why we're more passionate than ever about total rewards. "Total rewards" is the combination of compensation, benefits and other rewards an employee may receive from their employer. The total rewards universe is broad. Total rewards includes

compensation, bonus pay, profit sharing, health benefits, health spending accounts, paid time off, maternity leave, service opportunities, training, education funding and so much more. There is no shortage of rewards available for your consideration. What we need is a framework to help us thoughtfully manage the process of finding total rewards that match your business strategies and the desires of your employees.

Total Rewards Halo – A Framework for Total Rewards

For NFP, the Total Rewards Halo is that framework. With the Total Rewards Halo, we can wrap our hands around the giant equation that is the employee experience. It helps us not only break down that experience into its constituent parts, but also to recognize their interconnectedness. The Total Rewards Halo is organized around a central focal point, the employee experience. Around that experience core are two rings which describe activities that touch on all the total rewards factors. We'll discuss it as an overview first, then dig into more detail. The Total Rewards Halo looks like this:



- Compensation
- Benefits
- Well-Being
- Leadership Effectiveness & Support
- Community Impact
- Work Environment & Resources
- Learning & Development
- Diversity, Equity, Inclusion & Belonging

External Market Factors and Organizational Design Factors – The Outer Ring

The Total Rewards Halo™ is best examined from the outside in. On the outer ring are two features that impact employee experience and every facet of total rewards: *external market factors* and *organizational design factors*. The external market factors include the economy, the pool of labor talent in various markets, laws and regulations, and other macro factors that impact your organization. Organizational design factors include your culture, vision, mission and strategy — factors all critically connected to all your decisions and the factors within the Halo framework.

Total Rewards – The “Slices”

Total rewards includes:

- Compensation
- Diversity, Equity, Inclusion and Belonging
- Learning and Development
- Work Environment and Resources
- Benefits
- Well-Being
- Leadership Effectiveness and Support
- Community Impact

The experience of working with these rewards is one of interconnectivity. There is considerable overlap and impact between the factors. For instance, a strong mental health and well-being program can have a significant impact on benefits costs and employee engagement.

Employee Communication – The Inner Ring

Inside the components listed above, we find another ring, *employee communication*. A reward that is unseen, unfelt or unused is not a reward at all, but a waste of resources and an opportunity missed. If you have a menu of rewards, it's critical that you can communicate them to your employees in a way that is timely, relevant and personal. Total Rewards microsites, regular emails/text messages and webinars are just three examples of useful tools that provide employees with access to the information they need.

Employee Experience – The Center

At the center of the Total Rewards Halo is the employee experience. It's the culmination of all the other factors — the communication, the context, the company itself. The employee experience is either a brand builder or a brand degrader. The devil is in the details of how we leverage total rewards to enhance and amplify the employee experience.

Total Rewards – Digging into the Details of the Halo

Each of the primary rewards within the Total Rewards Halo deserves deeper examination, because their prioritization and value within your organization is fluid and based on various factors including how they interact with each other. Let's examine each factor, beginning with arguably the most important, compensation.

Compensation

As mentioned at the outset, compensation is the primary reason we work. There are exceptions, of course, but compensation is foundational. It's also challenging. It's easy to just look at the market or the competitive situation and say, “we will pay at the market rate or slightly above.” Not everyone can or wants to do that, though. Compensation needs to be viewed through a strategic lens and be accompanied by a philosophical framework that is a fit for the employer.

Compensation strategy and philosophy involves asking the right questions to tease out what is important to your employees. Paying a little below market value because you have strong individual health coverage only works if that strong individual health coverage is valued by the current and prospective employees. If my business and employee population is mature, strong individual health coverage may be exactly what is valued.

In brief, here are the strategic questions to ask when considering your compensation philosophy:

1. Where do we want to compete?
2. How competitive do we need to be?
3. What are we choosing to reward?

It's critical to have clarity and a shared viewpoint with leadership on:

- Where you want to set pay in relation to the market median.
- What mix of pay will support your business (fixed versus variable pay).
- Who your competition is for business and for talent.
- The role of compensation in the total rewards offering.
- The level of communication and transparency expected to support the philosophy.

The compensation strategy forms the core of your compensation program and aligns your compensation resources to accomplish the organization's goals.

Once you have created your compensation strategy and philosophy, the next step is to create or review your *pay structure*. Pay structures and ranges are important because they provide a decision-making framework and create equity in approach for your organization across all roles. In many states and localities, legislation now dictates that pay ranges be published with posted jobs.

Because pay range transparency will continue to be not only a trend but an increasingly an imperative, it's important to use professional data sources that provide accurate and credible data. Therefore, I recommend avoiding crowdsourced websites such as LinkedIn or Glassdoor because they can be inconsistent, unverified and difficult to relate to your organization. You can access credible benchmark data through several avenues. You can look at published third-party surveys (often at a discount if you have participated in the survey), industry associations, the Bureau of Labor Statistics or partner with a consulting firm.

When applying your pay structure to your employees, it's important to keep your compensation philosophy in mind. For example, are you choosing to reward tenure by placing those with more tenure higher in your range? Are you rewarding specific skills? Job performance? Whichever approach you take, being fair and equitable is key. This sounds obvious, but it's not. The unintentional differential paying of similarly situated employees is a common occurrence. With different managers and supervisors making compensation decisions, equity and

consistency is a challenge without clear guidelines and the support of human resources.

One last thought on compensation and that is this: do not discount the notion of *variable pay* in your total compensation package. Bonuses, incentives and commissions can be a key motivator and continue to grow in popularity. These variable-pay programs allow you to be more flexible and agile when rewarding specific performance accomplishments and can be very motivating. If designed well, they can also be a "self-funding" win-win proposition based on results achieved and pose little financial risk or downside to your organization.

Benefits and Well-Being

Employers are strategically moving away from the myopic view of using well-being as a means to reduce healthcare costs. Instead, they are implementing well-being initiatives to improve broader people metrics and key performance indicators tied to growth and profitability. If you feel well, you work well. Employers are taking a broad "whole person view" of well-being, which includes physical, mental and financial well-being. On that last note, the [NFP 2024 US Benefits Trend Report](#) cites an alarming statistic: "50% of employees have \$1,000 or less in savings for a catastrophic medical expense." You bet that affects well-being and work performance.

We are seeing this most dramatically in the increased focus on mental health and well-being.

The aforementioned US Benefits Trend Report also highlighted mental health, noting that one in three employees feel distracted by non-work issues, and 58% of workers are interested in mental fitness programs. Not only is this a substantial public health issue, it also has major impacts on our organizations. It is important to address mental health concerns and more holistically well-being in general for these reasons:

- Improve morale
- Increase productivity
- Aid in employee recruiting and retention
- Lower absenteeism and increase presenteeism
- Change health behaviors
- Lower health risks
- Become/retain best-in-class employer status
- Improve economic competitiveness

What can you do to positively impact employee well-being?

Assess Resources

Think about what your employees need around mental health and well-being. Evaluate the solutions you have today that could meet them where they are. Then, set a baseline so you can measure the impact of your program over time. Here are a few solutions:

- Obtain an EAP utilization report that compares year-over-year trends.
- Gather PTO utilization.
- Examine for stress- or anxiety-related responses on the employee engagement survey.
- Dig into absence and disability trends that are impacted by mental health conditions.
- Focus on mental health prevalence and cost on your medical plan, mental health and chronic disease prevalence and cost, and pharmacy benefit use related to mental health conditions. Other workplace and/or health outcomes data, which could be inclusive of health risk assessments or cultural health surveys, may also be helpful.
- Select resources.
 - Next, determine what additional resources you want to implement, such as enhanced employee assistance programs, telebehavioral health services, on-site stress management programs and mindfulness programs.
- Create organizational support.
 - It goes without saying that support from your leadership team – or lack thereof – can make or break any well-being initiative you implement.
 - Senior leaders can start by destigmatizing mental health through their actions and communications, raising awareness at town hall or all-staff meetings, and being role models for the right behaviors and advocating for change.
 - Managers and front-line supervisors are a critical link in employee well-being. Train your managers to lead with empathy during the highs and the lows and instill empathy in their communications, conversations and emails — knowing that individuals may be dealing with various issues and challenges that aren't visible or known to others.

Managers should aim for personal connection when interacting with team members through questions such as:

- How are you doing?
- How are we doing? You and I?
- How can I better support you?

By taking a thoughtful, comprehensive and planned approach to benefits and well-being, employers can make a difference in all areas of their employees' lives.

Work Environment

For many employers, work environment is no longer defined as a physical location. Although there is less physical togetherness due to hybrid and remote workforces – and employees often spread throughout the country and world – there is still a need for connection and communication. Employers have recognized this need and are finding new ways to connect through more frequent and varied communication. This may include scheduling “in days,” where calendars are coordinated for meaningful, intentional face-to-face business meetings.

Nearly all employees are looking for increased flexibility in their work schedules and environment. As caregiving responsibilities become more prominent for both working parents and those caring for aging parents, we need to work in different ways and on different schedules. Giving employees control over their schedules, coupled with accountability for clear performance metrics and expectations, can be a competitive advantage without a direct cost to the employer.



Community Impact

Whether your organization is a nonprofit or for-profit organization, the impact you have on your community is an important aspect of your total rewards package. Volunteer programs provide an opportunity for employees to connect with each other, leadership and managers in a different way, as well as provide intrinsic positive feelings associated with doing good deeds. Having a senior leader working side-by-side with an employee painting a Habitat for Humanity house is a powerful moment that cannot be duplicated in a staff meeting or Zoom call.

Community impact efforts such as social responsibility, “green” (environmental) initiatives, corporate foundations and matching gift programs are an engagement and recruiting tool. Aligning personal values with an organization’s values and actions is a powerful tie that can support recruiting and retention efforts. Conversely, when these areas are not in alignment, it can be detrimental and even cause turnover, especially when employees have multiple, competitive employment options.

Bringing It All Together

When your total rewards programs are integrated with each other, your employees’ needs and desires, and your organization’s mission, vision and culture, you will create what an unforgettable employee experience that will allow you to recruit, retain and engage top talent. Now that we’ve considered the Total Rewards Halo™ and its components, what’s next?

Action Items – Total Rewards Model Assessment

- Assess your current total rewards offerings. Use the Total Rewards Halo examples guide as a starting place.
- Gather your employee feedback on total rewards from existing sources, such as employee engagement surveys and exit interviews. Consider conducting additional surveys or focus groups if you need additional feedback.
- Think about these areas:
 - Are you intentional about your total rewards and how they work together?
 - How do you monitor and measure the effectiveness of your total rewards package?
 - How do you communicate this to current and prospective employees?
 - Using all of this information and data, create a short and long-term roadmap for your total rewards programs.

Want to talk more about total rewards? Feel free to [drop me a note](#) or reach out on [LinkedIn](#). I’d love to help! You can also reach out to a member of our [advisory team](#).

Questions? Contact

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