

# Crystal Clear

How total rewards communications can bring greater understanding—and ROI—to your organization.

BY DAVID McCULLAGH

I first heard the words “total rewards” when I was a wet-behind-the-ears HR communications specialist working for a big Canadian retailer. It was all about buzzwords back then, and in my youthful eagerness, I ate them up. Just when I thought I had heard them all, our senior vice-

president of HR uttered this new bit of lingo. With that two-word introduction, she launched into a 92-slide PowerPoint presentation. As I sat, glassy-eyed, through the animated pie charts, clip art and colourful graphs, it became apparent that it was going to be *my* responsibility to tell employees about their total rewards and to enable a kind of employee engagement nirvana.

The strategy was to educate employees about what really went into their compensation from the company. This was largely done through videos and booklets carefully explaining each component of total rewards and how they worked together to make up a robust employee offering. There was a separate booklet on each individual component: pension, base pay, bonus, employee discounts and health benefits. All in all, this was a very tactical approach to informing employees about their total rewards.

In those days of buzzwords and animated clip art, early communication objectives centred on banishing the long-held notion that base pay was all that mattered and that benefits programs were one-size-fits-all. But from a strategic HR perspective, total rewards represented a new way of thinking about the deployment of compensation and benefits, combined with the other tangible and intangible ways that companies seek to attract, motivate and retain employees.

Since then, total rewards has evolved as an HR communications strategy. Gone are expensive videos and glossy print materials. In their place? The total rewards statement. Since we first began seeing total rewards statements, they have become a proven and economical way not only to interest qualified prospects in the company and keep them engaged as they work, but also to increase participation in company plans (thus generating better returns on the company’s investment in its compensation and benefits programs) and to improve how employees perceive the value of working for their employers. In other words, it’s a way to achieve employee engagement nirvana—or, as we now call it, a total rewards culture.

A strategic approach to developing a total rewards statement—indeed, a total rewards culture—should involve four major steps: benchmarking how your employees feel about their total compensation; taking stock of all components of the compensation package; creating key messages; and measuring the program’s success.

## Step 1 – Benchmark

One of the first steps in establishing a total rewards culture is strategic communication. To develop that communication, you must understand how your employees feel about the benefits and programs offered to them. The best way to find out how employees feel about what you offer today is, simply, to ask them. This can be done quickly and easily through a targeted survey and a handful of well-planned facilitated focus groups.

The data you collect will give you keen insight into how employees view the company’s offerings. This is extremely valuable information when it comes to crafting your total rewards communication, as it can tell you what—and what not—to highlight. For example, after completing a survey of 1,500 salaried employees, a company found that two-thirds of its staff did not realize that the company offered a healthcare spending account. The company made certain to highlight that account in the total rewards communication. At the next re-enrollment, there was an 80% increase in employee participation in this benefit.

If a survey is not feasible, another way to gauge employee perceptions is to look at HR data and find patterns in participation levels and benefits usage. You can also get useful insights just from speaking with managers and supervisors.

## Step 2 – Take Stock

Once you have an idea of current employee perceptions, it’s time to take stock of the programs, benefits and incentives (both cash and non-cash) at your organization. These typically fall into five broad categories.

**Compensation** – This covers base pay, variable pay, short-term incentives and incentives over the longer term.

**Benefits** – The core suite of benefits usually covers medical, dental, vision, group insurance, pension and savings, as well as vacation and sick leave policies.

**Work/life** – Employees recognize the value of company policies and support for workplace flexibility; paid and unpaid time off; health and well-being; dependent care; financial support; community and social involvement; and management’s involvement in changing the culture.

**Performance and recognition** – This extends the annual performance appraisal and provides a 360-degree review of employees’ progress, as well as special incentives such as outstanding achievement awards.

**Development and career opportunities** – Employees also value learning opportunities, coaching and mentoring programs, and opportunities for advancement.

## Step 3 – Create Key Messages

This is your total rewards tool kit. Each bullet represents a “proof point” that can be woven into your total rewards communication. Once you know what is in your tool kit, you can then develop key messages framed within the context of the overall business strategy, HR strategy and organizational culture.

What now? Videos, posters, emails and booklets? Maybe—but they can be very expensive and, in some cases, just not financially feasible for some companies. Often, the most compelling and cost-effective tool for communicating total rewards is the total rewards statement.

Over the past few years, more and more companies have been preparing total rewards statements for their employees. The statement provides a personalized snapshot of the value of all forms of compensation, detailing pay, benefits and other programs supported by company dollars. Where employees contribute to the program (such as medical insurance co-pays), it shows the portion the employee pays. The statement is designed to express the total investment that the employee and the company make in employee benefits.

## Step 4 – Measure Success

Once the statements are rolled out and employees have had a chance to read them, it’s important to find out how effective they were. This could be done through a survey or poll asking the following questions:

- Was the information presented in a user-friendly, understandable way?
- How does the total rewards statement compare to other communications?
- Do you have a better understanding of your benefits?
- Will you change the way you use your benefits based on this information?
- Do you feel a stronger connection to the company?

Consider developing a survey that asks these questions in a few different ways in order to get the most accurate data possible. This post-communication survey is invaluable when it comes to improving your total rewards statements to meet changing employee needs and demonstrating ROI to executives.

Take, for example, the case of a large international food company. The company posted double-digit growth every year, based almost entirely on well-timed and well-executed acquisitions. When I arrived, the company had so many divisions and “child” companies that it was confusing for employees. One morning, I was preparing the CEO for a town hall meeting with plant employees from a group that was acquired three years earlier. When the CEO entered the plant, he looked out over the factory floor and saw employees wearing the company name—of two owners ago!

Clearly, it was time to do something to bring the workforce together. Creating a cohesive culture was a huge task that involved many areas, but the total rewards statement was the most important tactic in helping align employees with a single company. Total rewards statements were

sent to employees in November, with a follow-up survey in December. The survey completion rate was an impressive 99%. Here are some of its findings.

- 96% said the statement was the most important communication they had received since the acquisition.
- 98% felt better about how the organization was communicating.
- 82% felt a stronger connection to the organization.
- 98% had a greater understanding of the value of their benefits.
- 80% said they were more likely to stay with the company after seeing the total rewards statement.

But measurement of the ROI of total rewards doesn’t stop when you roll out the statement; it is an ongoing process. Many companies add a targeted question or two to their annual employee surveys to gauge if, and how quickly, employee attitudes and engagement levels are shifting. You can also look to year-over-year benefit participation statistics to see how the total rewards statement is affecting participation and then make adjustments to boost participation in a particular program.

Why do total rewards statements work so well? They are compelling, as each statement is personalized with HR data collected on that specific employee. Clearly laying out how the employee is compensated helps to demonstrate the true value of the employee/employer relationship. There are no canned videos of executives reading scripts; the numbers are all there for employees to see.

Key messages about underused programs can be embedded in the statement. Messages about wellness and overall work/life balance can also be embedded in the statement and aligned with company-sponsored programs such as employee assistance programs or fitness club memberships.

The concept of total rewards has moved well beyond the buzzword stage. Well-planned and executed total rewards communication can give companies a strategic advantage in attracting and retaining talent. Personalized total rewards statements are cost-effective, proven methods of improving employees’ perceptions of the value of company benefits and increasing participation in company plans. **BC**

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