



Whitepaper

Making Rem Budgets Go Further:

How to Develop a Total Rewards Strategy

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Introduction

The more things change, the more they stay the same – said absolutely no one about the transformations that have swept through the workplace over the past two years.

HR professionals have had it tough over the past couple of years. Navigating complex new territory and motivating a weary workforce is not an easy task. Employee retention is a critical area that many organisations have struggled with since COVID-19. This will continue for the foreseeable future in the form of a reignited war for talent. Employees must feel like their efforts are seen and appropriately rewarded, but the 'rewards' they expect today look different than they did pre-pandemic.

For many employees, pay isn't everything. At the very least, it isn't the only reason why they turn up to work. With this knowledge, organisations should rethink their employee offerings and develop a total rewards strategy that speaks to today's climate and employees' needs. Re-modelling remuneration can also help employers optimise their rem budgets – providing more 'bang for your buck'.

The pandemic has proven that a one-size-fits-all approach to remuneration is redundant. What appeals to / works for one employee will not necessarily suit another. The COVID-19 pandemic has brought to the surface some of the chasms between what employees want and need from their employers and what they are currently receiving. This can be seen in the desire for health and wellbeing policies – from financial security and mental health interventions to career pathing that accommodates non-traditional career moves and incentive plans with understandable and realistic goals.

Organisations need to be more flexible, adaptable, and willing to listen to their employees. Doing so will boost retention efforts.

With many organisations already viewing retention through a broader lens, now is the perfect time to consider implementing a total rewards strategy. This whitepaper will outline:

- Why the development of a total rewards approach is so important today
- How to recognise high performers with non-monetary rewards
- How to build a total rewards strategy: a 4-step process
- How ELMO Software can help

CHAPTER 1

Defining total rewards

A new era demands new approaches not just to remuneration but also to employee retention. Enter total rewards.



Although it's not a new concept, the term total reward relates to a range of monetary and non-monetary rewards. With base salary as the foundational element, it encompasses all the investments an organisation makes into its employees and takes a holistic view of its employee offerings. It comprises five components:

- Salary and overall compensation
- Benefits
- Training and development opportunities
- Work-life balance and flexible schedules
- Rewards and recognition

"A total rewards strategy is a system implemented by a business that provides monetary, beneficial, and developmental rewards to employees who achieve specific business goals. The strategy combines compensation and benefits with personal growth opportunities inside a motivated work environment." – Society for Human Resource Management (SHRM)

A total rewards approach underpins the culture of an organisation and helps to support organisational objectives by enhancing the employer-employee relationship and building trust. In fact, highly valued rewards can become competitive differentiators that can be emphasised in the employer brand and be used to make an employer stand out in a crowded talent market.

An effective total rewards strategy targets a whole workforce but also addresses the individual needs of employees to satisfy both extrinsic and intrinsic motivation drivers.

Developing a total rewards program where the onus isn't on financial rewards but instead offers non-financial incentives and motivators that focus on health and wellbeing, recognition, appreciation, professional development, and long-term career opportunities is often more valuable for both employer and employee.

Below is a model of a total rewards approach, with some examples of typical components.

Key components of a total rewards model

Engagement	Learning and development Growth opportunity Work-life balance Recognition Career breaks Job sharing scheme Long service awards Secondment	Total Rewards
Benefits	Holidays Loans Professional subscriptions Pension Cycle to work scheme Childcare voucher Healthcare Parental leave EAP scheme	Total Remuneration
Base Pay	Basic salary	Total Cash

As the model shows, a total rewards approach is a blend of monetary and non-monetary components. Considering the economic hardship many businesses have faced in recent years, it's the non-monetary rewards that should take centre stage and the ingredients that make up a total rewards approach should focus holistically on an individual as a person, not just an employee. By aligning employees' interests with company goals, organisations can achieve:

- Enhanced individual and organisational performance
- Enhanced workplace morale
- Enhanced employee loyalty
- Boosted retention efforts

What has influenced employee rewards?

With more diverse working models at play (e.g., fully remote working, hybrid models, flexible schedules), organisations should use rewards to enhance and drive the employee experience.

Providing more opportunities for employees to take on new skills and roles (i.e., job mobility) is one way to ensure all employees, including non-traditional workers and remote employees, have opportunities to grow in their career within the organisation. This will reduce attrition and maximise organisational investments in their people. In recent years, we have seen an increase in lateral

job moves, as employees desire new opportunities to grow their skillset without needing to move up the traditional corporate ladder. Indeed, today's career paths are more effectively likened to a 'lattice' than a 'ladder'.

HR professionals – and remuneration specialists in particular – must act as brand champions and ensure the organisation's employee value proposition (EVP) is communicated through the total rewards strategy, remembering that financial reward isn't necessarily the most effective motivator. There are better ways to inspire hard work. In fact, organisations that show reward through cash only will lose out to employers who pay more, so enhancing the more holistic EVP should be a primary focus.

Total rewards in a post-COVID-19 world

The pandemic created a challenging economic climate, where cost-cutting and budget-tightening were regular exercises, and pay rises and bonuses were off the cards. However, money is not the only retention driver, and employers should think of creative ways to boost retention.

What can organisations do when they can't show appreciation through monetary rewards such as salary raises and bonuses because it isn't financially viable?

Examples are as follows:

- Care packages including sweet treats and brand merchandise
- Virtual yoga and meditation sessions
- Subscriptions to paid health and wellbeing apps (e.g., fitness trackers, meditation apps and sleep-aid apps)
- Financial wellness seminars
- Health insurance
- Employee leave that allows employees to volunteer with a charity of their choosing or undertake other charitable work
- Virtual counselling (EAP)
- Travel subsidies and staff discounts at stores and cafés/restaurants

CHAPTER 2

The elements of total rewards

There are several key elements that must be factored into any total rewards approach.



1. Enticing, tailored rewards and recognition

An organisation's top performers are its greatest asset, and so recognising top performers and ensuring they feel valued is critical. A rewards and recognition program might be just the pick-me-up for overworked and stressed employees, to show that their employer appreciates their hard work.

The terms reward and recognition are used interchangeably, but they refer to two separate things. Recognition is about recognising a job well done or acknowledging a particular behaviour – a figurative or literal pat on the back. It can be as simple as a manager saying “thanks” for a job well done – this can have a tremendous impact on motivation. In order for a recognition program to be effective it must happen in real-time. The best recognition programs involve the use of public work channels, e.g., social media, messaging programs, or during team meetings (either virtual or in-person).

A rewards program, on the other hand, refers typically to monetary rewards such as bonuses or non-monetary items such as trips away, gift cards or other “nice to have” items. Non-monetary rewards or incentives can play an important role in keeping motivation levels up – and just as critically, they can be just as gratefully received as financial rewards – especially if they are personalised and tied to someone's likes and loves.

Recognition doesn't have to be wrapped up in a reward to be valuable – it can be highly motivating on its own.

Introducing a company-wide recognition program

Recognition is just one small component of a total rewards approach, but it can be a critical component if utilised correctly. However, [ELMO's 2022 HR Industry Benchmark Report](#), based on a survey of more than 1500 HR professionals in Australia and New Zealand, found that rewards & recognition programs are still largely in their infancy (See graph below).

The current state of reward and recognition

13% ▶ 

of surveyed HR professionals have no formal rewards and recognition program in place

34% ▶ 

Have informal/ad hoc programs in place

It's worth remembering that behaviours or achievements that are acknowledged often get repeated, so recognising the value of employees will often have a ripple effect. Receiving praise from a manager is often the most effective retention tool, and sincere praise – whether in-person or via messaging or video conferencing tools like Zoom, Slack or ELMO Connect – can be very meaningful.

What's more, company-wide recognition is a powerful motivator. Recognising an individual's hard work for all to see will amplify trust, motivation, and willingness to go above and beyond core duties. When recognition is tied to company values it can be even more powerful, as you're applauding those who live and breathe what the company stands for. Employers can also encourage peer-to-peer recognition by implementing an Employee of the Month program, which is voted for by peers. Read [our blog](#) for more tips on peer-to-peer recognition.

2. Broad, inclusive learning & development offerings

Another key retention driver that has a place in a total rewards strategy is professional learning and development.

The impact of learning & development

63%



of employers report a lack of career progression as the main reason employees leave¹

91%



of millennials want rapid career progression.²

To build morale and boost engagement, employers should invest in the professional development of their employees and encourage them to upskill and cross-skill. Other cost-effective career development opportunities include internal mentoring programs, job rotations or short-term secondments in different departments. When employees feel that their employer is investing in their future and helping them to become more employable, they will be more motivated to achieve highly.

¹. "Turnover and Retention Research Report", Australian HR Institute, 2018
². "66% of employees would quit if they feel unappreciated", Forbes, 2019

3. A robust performance framework

An important thread of remuneration is its link to performance. Of course, connecting performance and pay is a key engagement and retention driver, and since COVID-19 it has never been more important to leverage top talent and increase workforce productivity to stay competitive. However, effectively marrying the two has been a major remuneration challenge for many organisations.

How is performance management changing?

87%



of HR leaders were considering changes to performance reviews in the coming 12 months³

22%



of surveyed organisations asked managers to focus more on behaviours than outcomes when assessing performance in 2020/21⁴

We know that pay alone is not enough to motivate workers, so many organisations are investing in training, for example, but it's important that high performers are rewarded appropriately. If there is a total rewards program but no clear performance-related reward strategy or framework, there will be no incentive or motivation for workers to put their all into their work. This can lead to an entitlement culture.

For tips on how to avoid a culture of entitlement in your organisation, read [ELMO's blog](#).

Connecting pay and performance does not have to be complicated. In its simplest form it is a matter of seeing who is being rewarded in your organisation and assessing if they are the same people delivering the behaviours and results you are seeking to encourage. Are your highest contributors attracting rewards that show that you value their efforts, or is your pay sending a message that their efforts are not appreciated? In times when budgets are tight it is even more important to know that your remuneration strategy is helping and not harming engagement.

For further tips on how to maximise the returns from an incentive plan, read [ELMO's whitepaper](#).

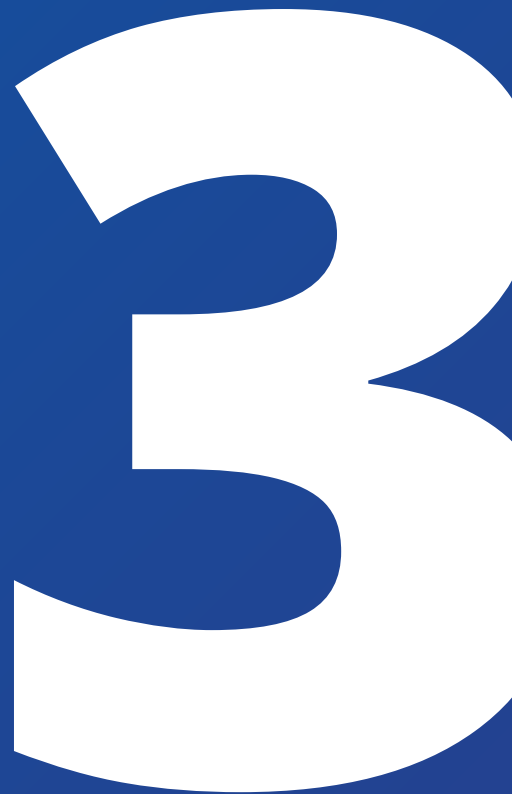
³. "What 'meaningful feedback' means to millennials", Gallup, 2020

⁴. Gartner coronavirus polling on performance management (1 June 2020)

CHAPTER 3

Things to consider before developing a total rewards strategy

A total rewards strategy may not be the best fit for every organisation and there are several factors to consider before embracing this approach.



While salaries should ideally be market competitive, trying to match the competition over an extended period is not sustainable. In particular, small businesses that have tighter budgets and less resources may not be able to meet salary expectations or offer significant benefits, which could expose gaps in market comparison. For a total rewards strategy to be effective for small businesses, organisations must create a blend between competitive salaries with offerings that align with employees' intrinsic values and individual circumstances.

If employees feel their organisation's total rewards approach does not talk to them or their needs, or lists items they cannot partake in, they may become disgruntled or distrusting of its intentions. It can also highlight disparities between employees – those who qualify for benefits and those who don't – which can cause mass internal frustration. Employees may even see total rewards as a ploy to forego salary increases.

Keeping employees informed

To demonstrate and reinforce the value of the pay and reward package, a total reward statement (TRS) may be created and distributed to employees. A TRS is a document detailing the reward program, which is tailored and personalised to the recipient. It may comprise basic pay, bonuses, overtime, health benefits, flexible work policies and more. To avoid backlash or failure, organisations must communicate rewards effectively (especially the “why are we doing this?” element) and ensure statements are transparent and accurate.

Managers should be continuously relaying the messaging about the “total package”, because making employees aware of everything their employer can offer is half the battle. Performance-related conversations are an obvious time to do this. Most importantly, rewards should reflect the needs of the employees who are entitled to them.

4 steps to developing a total rewards strategy

Developing a total rewards strategy requires significant organisational change. To be successful, buy-in from key stakeholders and the senior leadership team is essential. Some organisations will create a dedicated project management team to implement such a strategy.

The project management team should be led by a mix of HR professionals, remuneration specialists, managers and frontline employees. With such input, an organisation can develop a total rewards strategy that talks to everyone in unique circumstances and projects the organisation's EVP.

Below is a 4-step plan for developing a total rewards strategy: assess, design, execute and evaluate.

1. Assess

The first step is to assess the effectiveness of the current approach to rewards, remuneration and performance. This can be done through employee surveys and collecting data to determine employee sentiment around reward preferences.

Assessing current rewards and measuring the pulse of the organisation can enable a data-driven, employee-centric approach to recognising the most valued rewards that will have the biggest impact. It can also ensure the total reward system supports the organisation's EVP by helping to answer questions such as, "Will we reward effort, or will we stick to our principles of rewarding outcome?"

2. Design

When the assessment stage is complete, the next step is design. The project management team will finalise which rewards would work best within the organisation – who receives rewards, what they're rewarded for, and what types of rewards will be offered. In addition, the necessary HR policies will need to be recreated or drawn from scratch. These could be work from home policies, leave policies or personal development and training opportunities.

3. Execute

The next step is execution. For a total rewards strategy to take off, it needs buy-in from all stakeholders.

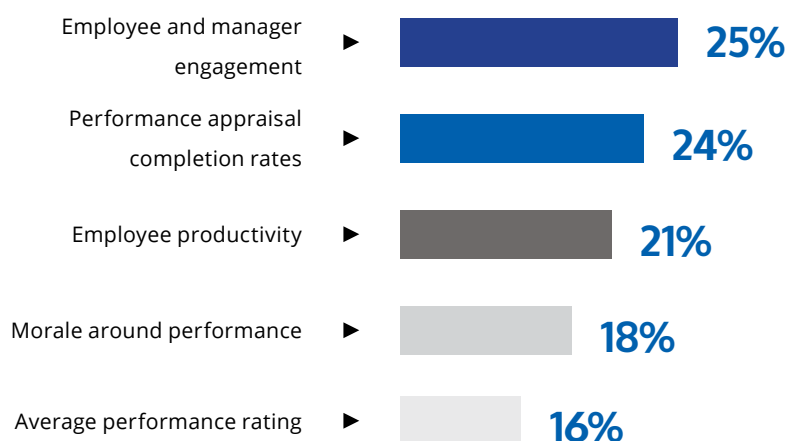
As mentioned previously, to effectively implement a new total rewards program, HR must clearly communicate it to employees – the reason behind any changes, what rewards employees are entitled to and what they must achieve to obtain the offerings. As with any change, there will be resistance, so the more transparent an organisation is around a new total rewards strategy, the better it'll be received.

Managers will also need to be educated about rewards – what is on offer, who is eligible, and why it's important to implement rewards. Armed with the correct knowledge, managers can factor total rewards into their conversations with employees, especially when talking about performance.

4. Evaluate

According to [ELMO's 2022 HR Industry Benchmark Report](#), 32% of survey respondents do not use any metrics to assess their performance management processes. See the graph below for the top 5 metrics that are used.

What metric(s) does your organisation use to measure the effectiveness of its performance management processes?



The purpose of a total rewards strategy is to drive engagement and performance to maximise retention efforts, so this needs to be measured. Organisations should leverage data and employee surveys to determine the effectiveness and sentiment of the strategy to uncover any concerns and inform future change management.

Developing a total rewards strategy is a one-time project that requires legwork upfront but has long-term payoff. Once it has been designed it can be easily updated to ensure it is timely and relevant, and designed properly it can continually drive retention and engagement.

Our recommendation:

Employee remuneration and compensation reviews are a huge time and resource drain. They are also rife with complexities and are highly emotive.

ELMO Remuneration can help with reporting and proactive modelling to create or uphold a remuneration and performance framework and ensure budgets go further while still having a positive impact on people. Through rules-based controls, your remuneration review process will be completed on time and on budget. Managers are meanwhile given the tools to make more informed and consistent rem decisions. Being part of the integrated ELMO platform means that related HR processes relating to performance management, learning & development and rewards & recognition can also be easily managed.

How ELMO can help

ELMO Software (ASX:ELO) is a cloud-based solution that helps thousands of organisations across Australia, New Zealand and the United Kingdom to effectively manage their people, process and pay. ELMO solutions span the entire employee lifecycle from 'hire to retire'. They can be used together or stand-alone, and are configurable according to an organisation's unique processes and workflows. Automate and streamline your operations to reduce costs, increase efficiency and bolster productivity.

For further information:

[Contact us](#)

