

Total Reward Statements – The Basics

What is total reward?

A total reward (or total remuneration) statement provides employees with a single personalised statement that communicates the overall value of their financial rewards like base salary, variable pay, share ownership and employee benefits. Each element of the reward package is assigned a cash value.

Total reward statements are also used to communicate the value of non-financial rewards which are often valued as highly by employees, such as training and career development, culture and work/life balance or sabbaticals.

How popular are they?

Our research shows that a third of UK companies offer total reward statements either web-based (17.66 per cent) or on paper (12.32 per cent), and around four in ten companies (37.78 per cent) plan to implement them.

Why offer total reward statements?

Our research indicates that the main two benefits companies have derived from implementing total reward statements is that they improve employees understanding of their benefits package, and of its true tangible value.

In light of the credit crunch and the negative pressure on wage inflation we have seen employers increasingly seeking to utilise total reward as a way of moving employees focus away from base salary towards thinking in terms of their total remuneration.

Total reward also often acts as a precursor to the implementation of flexible benefits. In this way employees become familiar with the concept of pricing their benefits.

How to implement total reward statements

Firstly, it is important to select that benefits that will appear on the total reward statement. Whilst there is a temptation to list each and every reward available, be careful to select those that have a true value to the employee and that you can communicate in a meaningful way. Your objective should be to have a statement that reflects your employer or reward brand, is easy to understand and is not overly long.

Secondly, you need to go through the exercise of determining which employees are entitled to which rewards, so that you ensure you are only communicating those rewards which an individual is entitled to.

For financial rewards you will need to determine the correct calculation that will be used. There are two main approaches to valuing such rewards:

- 1) Based on the actual cost to the employer. (We would advocate use of the first approach in nearly all circumstances.)
- 2) Based on the market value to the employee (here the cost of a benefit is shown as how much it would cost them as an individual to go out and purchase the benefit as an individual).

What should I be aware of when implementing total reward statements?

As employees become more aware of rewards that are available to them that they may not have previously taken up, this can lead to a rise in costs. However, this should be allied to a rise in employees appreciation of and understanding of the true value of their reward package.

Measuring the success of your total reward statements?

Like any project it is important to measure and evaluate the success of your total reward statements. Together with login and benefit selection statistics, you can do this by surveying employees before and after the project asking them to estimate the value of their total reward package (in addition to base salary).