

# TOTAL REWARDS

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## SIRM Total Rewards Strategy

The diagram illustrates the Total Rewards Strategy process. It is divided into three main sections: Inputs, Process, and Outputs, connected by large blue arrows pointing from left to right.

- Inputs:** Represented by an upward-pointing arrow icon. HR goals include Recruitment, Engagement, and Retention.
- Process:** Represented by a circular arrow icon. Alignment with Strategy, Culture, Market, and Employment laws & regulations.
- Outputs:** Represented by a downward-pointing arrow icon. Total rewards strategy includes Compensation & benefits, Rewards (financial & developmental), and Incentives (financial & developmental).

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## SIRM IPO Model

The IPO Model diagram shows a cyclical process. It starts with Inputs, moves to Transformation Processing, then to Outputs, and finally back to Inputs via a Feedback loop.

- Inputs:** Resumes, Recommendations, Credit Reports, Academic records, Portfolio of jobs.
- Transformation Processing:** Interviews, Diagnostic tests, Industrial psychologist review, Problem-solving exercise.
- Outputs:** Job filled.
- Feedback:** Six month job performance rating, Job satisfaction review, Hiring manager assessment.

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**SRM** **Key Terminology** 

<b>Total rewards</b>	Encompasses direct and indirect remuneration approaches that employers use to attract, recognize, and retain workers; "remuneration" and "compensation and benefits" have the same meaning.
<b>Benefits</b>	Tangible payments or services provided to broad groups of employees to cover common issues (for example, retirement and paid time off) in addition to those required by law.
<b>Compensation</b>	Refers to all other financial returns (beyond any tangible benefits payments or services), including salary and allowances.
<b>Perquisites</b>	Compensation provided on an individual basis in the form of goods or services (for example, automobiles and mobile devices).
<b>Incentives or premiums</b>	Payments in return for the achievement of specific, time-limited, targeted objectives; often calculated as a percentage of base salary and paid as lump sums or ongoing payments.

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**SRM** **Compensation Philosophy** 

A short (but broad) statement documenting the organization's guiding principles and core values about employee compensation

<p><b>Philosophy should be:</b></p> <ul style="list-style-type: none"> <li>✓ Equitable</li> <li>✓ Defensible</li> <li>✓ Perceived as fair</li> <li>✓ Fiscally sensitive</li> <li>✓ Legally compliant</li> <li>✓ Easy to communicate</li> </ul>	<p><b>Programs offered should be:</b></p> <ul style="list-style-type: none"> <li>✓ Fair</li> <li>✓ Competitive</li> <li>✓ Aligned to philosophy and policies</li> </ul>
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**SRM** **Compensation Philosophy** 

- 1) Market Factors**  
Look at company size, growth stage, location, industry and employer competition. (PESTLE)
- 2) Employee Value Proposition**  
Consider your total compensation package as a powerful way to bring your company's employee value proposition to life.
- 3) Pay Range Positioning**  
What percentile of the market do you want to target or position yourself against as an organization?
- 4) Growth Opportunities**  
Smaller companies may offer rapid career growth opportunities.
- 5) Equity Positioning**  
What is the mix of cash and equity relative to the total compensation package?
- 6) Internal Data**  
Recruiters, Exit interviews, Departments?

**It's Lit Fam.**



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**SIRM** Compensation Philosophy

**Salesforce:** "We believe in paying employees fairly and competitively for the work they do. Our compensation philosophy is rooted in equal pay for equal work, and we conduct annual pay equity analyses to ensure we're living up to that commitment."

**Netflix:** "We pay top of personal market. The basic idea is that someone is worth what the market says they're worth... We do not have a compensation philosophy that says 'pay everyone the same.' Instead, we try to figure out what each person is worth in the market and pay them that."

**Patagonia:** "We aim to pay wages that allow employees to meet their basic needs, enjoy some of life's pleasures, and save for the future — without having to hold a second job. We benchmark against local and regional living wages, not just market rates."

- ✓ Equitable
- ✓ Easy to communicate
- ✓ Aligned to philosophy
- ✓ Fiscally sensitive
- ✓ Legally Compliant

Can I have some money

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**SIRM** Process to Develop a Total Rewards Strategy

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**SIRM** Evaluating a Total Rewards Strategy

Is the total rewards strategy:

- In compliance?
- Compatible with the organization's mission and strategy?
- A fit with the organization's culture and appropriate for the workforce?
- Internally equitable?
- Externally competitive?

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**SIRM** Pay Strategies 

**Lag**

- Controls labor costs by setting pay below that of other organizations
- May be due to economic necessity; may help offset costs
- Typically coupled with other benefits

**Match**

- Offers wages and benefits similar to that of competition
- Referred to as externally competitive; most common

**Lead**

- Offers higher wages or better benefits
- Justified by higher productivity from high-quality employees

**Lead-Lag**

- Leads the market during first half of the fiscal year, lags in the second half

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**SIRM** Global Influences 

- Standardization versus localization
- Culture
- Competitive labor market
- Collective bargaining, employee representation, government mandates
- Economic factors
- Taxation

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**SIRM** Importance of Total Rewards Strategy Communication 

- Educating employees about the organization's total rewards practices
- Achieving employees' buy-in and making them aware of the overall value
- Supporting the organization's strategic objectives
- Supporting the organization's goals for performance management

**A total rewards program is a powerful motivator when it is understood and accepted by employees.**

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**SIRM** **Effective Communication of Total Rewards**



**Requires attention to a variety of factors, such as:**

- ✓ Type of information (required and voluntary communication)
- ✓ Communication plans
- ✓ Direct communication
- ✓ Individualized total compensation statements
- ✓ Self-service technologies
- ✓ Consistent key messages

**Starts with an overarching strategy and standard implementation guidelines but adaptable to organizational specifications and local conditions and norms.**

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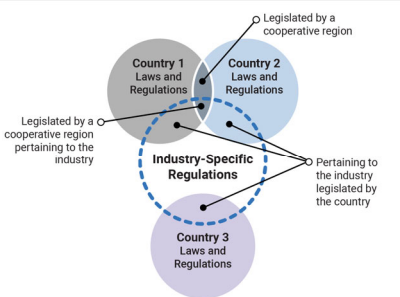
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**SIRM** **Legal Compliance**

Country 1 Laws and Regulations

Country 2 Laws and Regulations

Country 3 Laws and Regulations

Industry-Specific Regulations

Legislated by a cooperative region

Legislated by a cooperative region pertaining to the industry

Pertaining to the industry legislated by the country

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**SIRM** **Legal Compliance Complexities**



**Due diligence should include an understanding of relevant:**

- International standards and regulations.
- Extraterritorial application of national law.
- Application of national laws to international-owned subsidiaries operating within a nation's borders.

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**SIRM** Finance and Accounting Knowledge 

- Total rewards are a significant component of an organization's operating expenses.
- Understanding key finance and accounting terms and concepts, financial statement basics, and payroll provides critical insights.

**Partnering with finance colleagues is always helpful as well as consulting "finance for non-finance professionals" resources.**

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**SIRM** Payroll Considerations 

- Must be efficient, effective, and compliant.
- May be delivered:
  - Internally
  - Externally (outsourced)
  - Hybrid of both internal and external
- Payroll is closely related to many HR activities.

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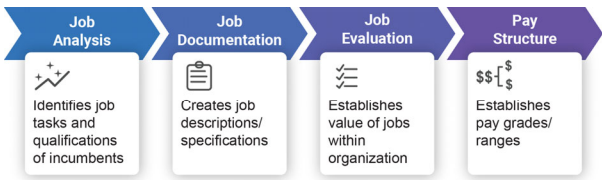
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**SIRM** Compensation System Design 



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graph LR
    A[Job Analysis] --> B[Job Documentation]
    B --> C[Job Evaluation]
    C --> D[Pay Structure]
  
```

**Job Analysis**  
Identifies job tasks and qualifications of incumbents

**Job Documentation**  
Creates job descriptions/specifications

**Job Evaluation**  
Establishes value of jobs within organization

**Pay Structure**  
Establishes pay grades/ranges

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**SIRM** Job Documentation Elements

**Job description**

- Written description of job and essential functions and requirements
- Includes tasks, KSAs, responsibilities, and reporting structure

**Job specifications**

- Written statement of minimum qualifications necessary to perform job

**Job competencies**

- Clusters of highly interrelated attributes, including KSAs
- Should be part of competency model

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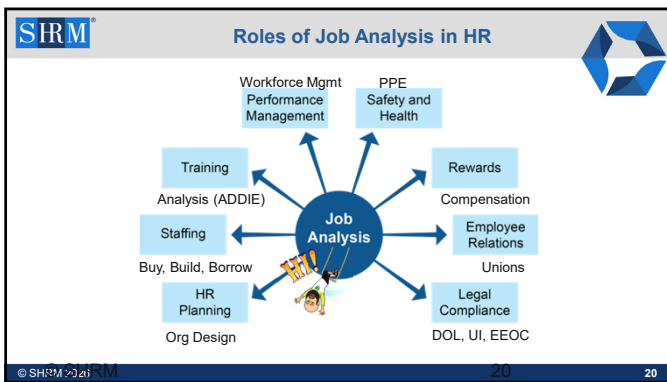
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**SIRM** Job Evaluation

- Determines **value and price of job** to place and compare it within organization as well as attract and retain employees
- Supports need for total rewards strategy
- Intertwined with pay equity concerns

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**SIRM** Job-Content-Based Job Evaluation

Determines the relative worth and pay structure of different jobs based on assessment of their content and relationship to other jobs in the organization

May be:

- Nonquantitative
  - Job ranking
  - Job classification
- Quantitative
  - Point-factor system

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**SIRM** Market-Based Job Evaluation

Determines the relative worth and pay structure of different jobs based on their market value or the going rate in the marketplace

- Sometimes called “market pricing.”
- Data collection includes survey formats, survey analysis, and slotting.
- Job content or internal job relationships may be secondary considerations.

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**SIRM** MCDA

Multiple Criteria Data Analysis

	Direct Reports	Specialized Skill	Strategic Impact	Experience	Worth
VP of HR	5	5	5	5	20
HR Director	4	4	4	4	16
HR Generalist	2	4	3	4	13
HR Specialist	1	3	3	3	10
HR Administrator	1	2	2	2	7
HR Coordinator	1	1	2	1	5
HR Intern	1	1	1	1	4

is this thing on?

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**SIRM** Global Market Survey Considerations

- What are the best sources of salary data?
- How much information is available?
- How frequently does the market change?
- Does the data for the jobs available match or compare to the ones being compared?

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**SIRM** Data Analysis

Salary data may need to be aged, leveled, and/or factored for geography.

- Aging uses movement in market rates to adjust outdated salary data.
- Leveling adjusts salaries when surveyed jobs are similar but not identical to jobs in the organization.
- Since wage rates will vary by location, the organization should factor any national salary survey data for geography.

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**SIRM** Organisation for Economic Co-operation and Development (OECD)

OECD Home | Belgium

Find

Display all by

What's New

Data on Belgium

Books

Economic Survey of Belgium 2020

Focus

Hot Spot: Belgium hot?

OECD360 magazine

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**SIRM** Additional Information Sources 

**Benchmarking**

- Initiatives range from informal networking and knowledge sharing to formal engagements with private firms.
- Helps to identify gaps in policies and procedures compared to competitors and best practices.

**Other Sources**

Typical sources include:

- Governments (for example, ministries of labor or government statistical bureaus).
- International organizations (for example, International Labor Organization).
- Membership-based business organizations (for example, employer federations and local chambers of commerce).
- Professional, trade, and industrial associations.

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**SIRM** FIN 

*The End*



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