



Defining Your Total Rewards Philosophy

PLAYBOOK

Introduction

Your **total rewards philosophy** specifies how your organization compensates and rewards employees. This resource will help guide you in defining your total rewards philosophy.

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Overview

Your total rewards philosophy specifies how your organization compensates and rewards employees. This resource will help guide you in defining your total rewards philosophy.

Total rewards includes three areas:

A // FINANCIAL REWARDS

- i. Compensation: pay provided for work or services
- ii. Benefits: nonwage compensation such as health insurance, paid vacation, or retirement plans

B // DEVELOPMENT REWARDS

- i. Career growth: advancement or upward progression in one's professional life, often marked by increased responsibilities, skills, and (future) salary
- ii. Personal development: the process of self-improvement through activities that enhance skills, knowledge, and awareness

C // ENRICHMENT REWARDS

- i. Purpose and culture: the collective ethos and values that give a sense of meaning and belonging in their work
- ii. Holistic wellbeing: the physical, mental, social, and financial wellbeing of an individual

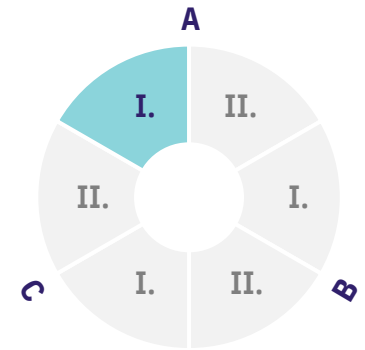


*Your **total rewards philosophy** represents your organization's approach to financial and nonfinancial rewards that contribute to employee satisfaction, engagement, and retention and will shape your employer brand.*

Key Components // Financial rewards

i. Compensation

- **Determine the level of base pay and variable pay per role**
Compensation comprises base pay and variable pay. Base pay includes hourly wages or salaries, variable pay refers to supplementary compensation tied to performance goals, such as bonuses, sales commissions, referral bonuses, and stock options.
- **Benchmark pay levels**
Tailor total rewards strategies using industry and regional benchmarks from databases like Radford, Korn Ferry, Willis Towers Watson, and Mercer. They aggregate compensation data and provide insights into industry norms and regional variations. Conduct thorough research to understand compensation trends and align compensation goals with them for a strategic positioning, balancing talent attraction and fiscal responsibility.
- **Decide on localization**
Establish competitive base salaries by considering factors like experience, skills, and market rates, reflecting the value employees bring. Choose between localized salaries, tied to work location, and location-agnostic pay (for example, take the [software company Basecamp](#)). Most organizations pay localized salaries as this helps attract top talent in more expensive markets while staying competitive.
- **Transparency**
Design pay structures that are fair, transparent, and reflect your organization's values. Transparency standards are increasingly shaped by legislation in both [various U.S. states](#) and the [EU](#). An example of a fair pay structure is [Adobe's pay parity policy](#). Based on your values, consider whether to emphasize compensation or other rewards.



Questions to consider

- How does our compensation structure align with industry benchmarks and regional standards?
- Where should our organization fit in terms of compensation level to attract top talent in our industry?
- What balance should we strike between base pay and variable pay to motivate talent?
- Should we adopt a localized salary approach or a location-agnostic pay model, and what are the implications of this choice on talent attraction and fiscal responsibility?
- In what ways do we ensure compensation decisions are communicated in a transparent way and with procedural justice?

Key Components // Financial rewards

ii. Benefits

- **Determine your benefits package**

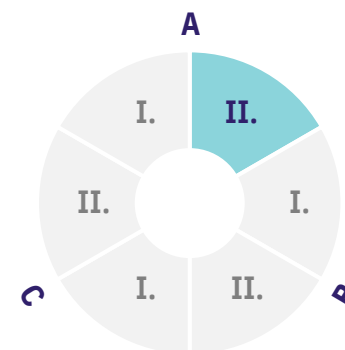
Benefits are nonmonetary packages provided to employees to enhance their physical, emotional, and familial safety. The most common types of benefits include work, health, financial security, and lifestyle benefits. Benefits are a direct cost to the company and are often calculated on top of the salary payment (e.g., You may match up to 5% of your employee's salary to their 401k).

- **Different countries may offer different benefits**

Benefits for health include health care, dental care, 401k or other pension schemes, disability insurance, a company car, free public transport, hybrid or remote work arrangements, or relocation assistance for international employees. Specify which benefits are offered in the different countries in which you operate. A lack of localization of benefits may impact your attractiveness as an employer in the market.

Example of prioritizing FINANCIAL REWARDS

An example of an organization that prioritizes financial rewards is Goldman Sachs, a global investment banking and financial services firm. Goldman Sachs is known for offering competitive salaries, lucrative bonuses, and comprehensive financial incentives to attract and retain top talent in the highly competitive financial industry.



Questions to consider

- What are the most valued benefits in each country in which we operate, and how do they align with local, cultural, and legal norms?
- How can we balance offering standardized benefits across all locations with the need for localization to meet specific regional needs and regulations?
- What is the financial impact of each proposed benefit on the company's budget, and how does it compare with the perceived value by the employees?
- How do our benefits support the physical, emotional, and familial wellbeing of our employees, and how can we communicate this effectively to them?
- Are there any emerging trends or legislative changes in employee benefits that we need to consider to stay competitive and compliant?

Key Components // Development rewards

i. Career growth

- **Specify career development paths**

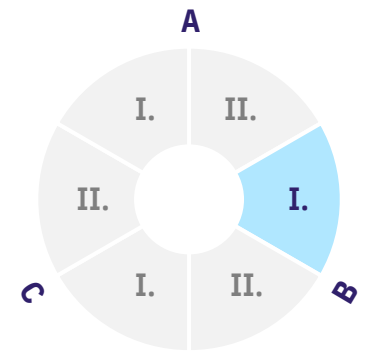
This developmental reward refers to enabling employees to advance in their career paths by offering them clear career growth opportunities. A good career growth program enables employees to gain and enhance their capabilities, excel in their current and future roles, and work toward promotion opportunities in more senior positions.

- **Offer career growth opportunities**

To advance career development, you can offer opportunities for coaching, mentorship, challenging work assignments, or formal learning.

- **Leadership development**

You can also offer leadership development workshops and training sessions for current and aspiring leaders. This helps employees acquire the necessary skills and insights to take on or excel in their leadership roles.



Questions to consider

- How can we clearly define and communicate potential career paths within our organization to employees?
- What types of training, coaching, and mentorship programs can we implement to support employee development and career growth in line with organizational goals?
- How do we tailor career development opportunities to meet the individual needs and aspirations of our employees?
- How can we ensure that opportunities for career advancement are equitably distributed and accessible to all employees?

Key Components // Development rewards

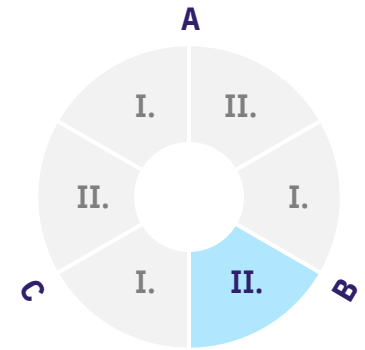
ii. Personal development

Specify personal development opportunities

Personal development refers to the ability of employees to grow personally and professionally and learn new skills to remain relevant in their careers. It's tightly linked with professional development. Examples include personal learning allowances and the ability to learn new skills through training programs, assignments, and mentoring and coaching programs. Some organizations also offer opportunities for people to develop themselves outside of the organization, through volunteering and community engagement, educational sponsorship, sabbatical leave policies, or membership in (professional) associations.

Example of prioritizing DEVELOPMENT REWARDS

An exemplary company that prioritizes developmental rewards is Google. Known for its commitment to employee growth and career advancement, Google offers a range of career development paths to its employees, clearly defining potential trajectories within the organization. Google's career growth program goes beyond traditional models, providing employees with opportunities to take on broader roles, manage end-to-end processes, and actively participate in cross-functional projects.



Questions to consider

- How can we structure our personal learning allowances to provide the most value and flexibility to our employees?
- What types of formal training programs and challenging assignments can we offer that align with both current industry demands and individual employee aspirations?
- How do we create a mentorship and coaching culture that supports continuous personal and professional development?

Key Components // Enrichment rewards

i. Purpose and culture

- **Specify the organization's purpose**

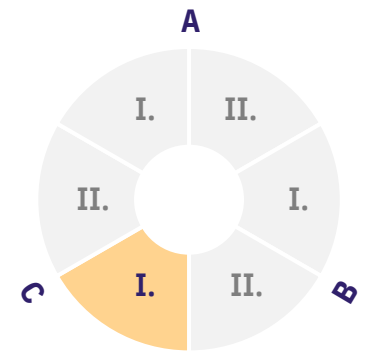
60% of people choose a place to work based on their values and beliefs. This makes connecting employees' purpose with the purpose of the organization more important than ever. A purpose-driven organization can help its employees connect their personal values with those of the organization, making the work experience more rewarding.

- **Define the organization's culture**

People also strive to find a company with a suitable internal culture. While some people may thrive in a performance-based market culture, others thrive in a collaboration-driven clan culture. Workplace culture also includes the way employees are recognized by their managers or peers, and whether the organization is committed to diversity, equity, inclusion, and belonging.

- **Purpose and culture form the flipside of compensation**

Oftentimes, organizations with a strong purpose compensate less. For many, the main reason to work there is the impact they make, not the money they earn.



Questions to consider

- How can we clearly articulate our organization's purpose in a way that resonates with our employees' (and other stakeholders') personal values and beliefs?
- What steps can we take to integrate our organization's purpose into everyday business practices and decision-making processes?
- How can we identify and cultivate a workplace culture that supports our organization's mission while also aligning with the diverse preferences of our workforce?
- What strategies can we implement to ensure our organization is genuinely committed to diversity, equity, inclusion, and belonging?

Key Components // Enrichment rewards

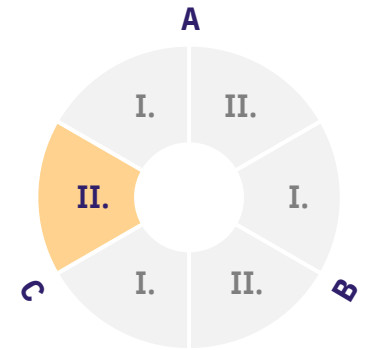
ii. Holistic wellbeing

Specify how the organization contributes to holistic wellbeing

Wellbeing is becoming increasingly critical to attracting and retaining employees and ensuring that they are engaged, motivated, and productive. This involves addressing physical, mental, financial, and social wellbeing through initiatives like employee assistance programs, mental healthcare access, financial coaching, and wellness programs. Additional benefits include extra days off, a four-day work week, menstrual leave, flexible working policies, and volunteer time off. Noteworthy examples, such as Patagonia's environmental internship program, demonstrate innovative approaches, offering employees time for volunteering while maintaining salary and benefits. Unique perks like birthday leave and onsite massages further enhance the overall wellbeing strategy.

Example of prioritizing ENRICHMENT REWARDS

An organization that prioritizes enrichment rewards is Patagonia, renowned for fostering a purpose-driven culture. Patagonia places a strong emphasis on meaningful work experiences, connecting employees' personal values with the organization's commitment to environmental conservation, creating a unique and fulfilling employee experience.



Questions to consider

- How can we design and implement an employee assistance program (EAP) that effectively addresses the diverse wellbeing needs of our employees?
- What strategies can we employ to ensure easy access to mental health care for our employees, and how can we promote its utilization?
- How can we provide effective financial coaching and resources that support the financial wellbeing of our employees?
- In what ways can we foster a healthy and inclusive work culture that actively supports the social and emotional wellbeing of our workforce?

Balancing Competing Rewards

Recognize the inherent competition among financial, developmental, and enrichment rewards. Understand that organizations often focus on one or two of these areas to form their unique Employee Value Proposition (EVP).

Often, there's a trade-off between different parts of the total rewards model:



Financial-focused organizations

These organizations place a strong emphasis on financial rewards, compensating above market rates while potentially focusing less on holistic wellbeing. Examples include technology start-ups that offer competitive salaries but may not provide extensive wellness programs or lifestyle benefits.



Enrichment-focused organizations

These organizations prioritize purpose and fulfillment, offering meaningful work experiences. Compensation might be below the market average. Commonly found in nonprofit or not-for-profit sectors, examples include environmental conservation organizations that focus on a higher purpose despite offering lower salaries.



Developmental-focused organizations

Organizations in this category prioritize staff development, investing significantly in professional and personal growth. Examples include companies that offer comprehensive traineeships or consulting firms like McKinsey. While they may not offer the highest salaries, their commitment to hiring and training top-tier talent ensures a valuable launchpad for employees' future careers.

QUESTIONS TO CONSIDER

- How can we clearly define and communicate potential career paths within our organization to employees?
- What types of training, coaching, and mentorship programs can we implement to support employee development and career growth in line with organizational goals?
- How do we tailor career development opportunities to meet the individual needs and aspirations of our employees?
- How can we ensure that opportunities for career advancement are equitably distributed and accessible to all employees?