Total Rewards: Addressing the Challenges of Today's Workplace

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Abstract

In light of developments in today's global market, the competition to attract, engage and retain talent has become even stiffer for companies. Generational shifts in the workplace have also changed employer-employee dynamics, from a paternalistic relationship to one wherein employees seek growth and development for their careers.

Total rewards can be a crucial strategy in this highly volatile market. It goes beyond mere compensation and extrinsic remuneration, and considers the overall employee experience in the workplace. It is a business strategy that focuses on getting and keeping the best people in the team by providing a holistic rewards model which encompasses compensation, benefits, work-life balance, performance and recognition, and development opportunities. In the end, it drives to the heart of human resource management by taking care of people so that they in turn will take care of the business.

Keywords: total rewards, human resource management, compensation, employer-employee relationship

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Challenges in the Ever-Changing Workplace

It is a different world we live in today. With the rise of ubiquitous social and digital media, we have now become more highly interconnected. Parts of the world are still picking up the pieces from a recession, while others are experiencing an economic boom yet are still suffering the pangs of continuing inequality. An entire generation is retiring as a wholly different one takes the reins of the corporate world. It is a different world indeed, and everyone, absolutely everyone, is in for the ride. Typical of any changing environment, hostilities and challenges emerge.

A report by Towers Watson (2012a) reveals that almost three out of every four employers (72%) have difficulty attracting critical-skill employees, and nearly three out of five (56%) experience problems in retaining them. Difficult times force employers to freeze hiring and salaries, reduce bonuses, and continue layoffs while employees seek security, stability, and opportunities to earn more, and not necessarily in their present organization (Sejen &Yates, 2011). Companies seek to preserve their best employees while employees continually ask what is in it for them. And it is not necessarily monetary in nature.

Almost nine in ten (88%) of employees leave their jobs for reasons other than money. Hill and Trande (2006) point out that limited opportunities for advancement (39%), unhappiness with management (23%), and lack of recognition (17%) are bigger factors that lead to employee attrition, even trumping inadequate salary and benefits (11%).

Citing previous studies, Lowe and Schellenberg (2002) showed that respect, interesting work, sense of accomplishment, good communication with co-workers, and work-family balance were deemed more important than pay, benefits, and security. They further stipulate that employers who can deliver on these values and expectations in their companies find it much easier to recruit and retain staff than those who do not.

In the Philippines, more than half of the jobless are people who voluntarily left their jobs (Mangahas, 2014). The Social Weather Station (SWS) report shows that the 25.9 percent adult joblessness rate in the country represents nine percent who were involuntarily terminated and 13 percent who resigned to seek jobs elsewhere. This is not surprising given the current situation in many companies in the country, especially among micro, small, and medium enterprises (MSMEs).

Binghay (2015), for example, describes poor people management among MSMEs brought about by the lack of a comprehensive human resource strategy rife with hostilities between employer and employees. Poor work situations and adverse environments result in high employee turnover. This should not be taken lightly especially because in line with the expected ASEAN integration of 2015, Filipino MSMEs will have to face competition with other Southeast Asian nations like Singapore and Malaysia, which offer better wages and better working environments. As the competition extends beyond one's shores, employers have to find even more creative means to attract and retain the best people within theirs. However, changes in the workplace are not just in terms of geography or diversity; sometimes it is even closer to home. In the age of regional integration, companies will inevitably have to keep up not only with enterprises here at home but across the emerging "global network economy" (Leong & Jarmoszko, 2010).

Workplace dynamics have also evolved over the decades. Up until the 1970s, employer relationships were more paternalistic, and employees trended towards lifetime employment for their loyalty. In contrast, the 1980s to the early years of the new millennium saw more profit-oriented corporate standards and reduced worker allegiance. But today, a middle ground is formed. Whereas in the past, companies focused on maximizing their workers' performance, employees now expect a certain level of guidance and recognition in exchange for their efforts. Present-day employer-employee relationships can thus be described as a "social contract" between the two parties (Frauenheim, 2012).

These changes in the workplace are also reflected in the different generations that make up the workplace. It is a reality that people of distinct generations will inevitably be working in the same organizations. Employers must understand these generations and how to best motivate them. Furthermore, the differences in generations reflect the kind of soft rewards, and not necessarily the monetary hard rewards, the employers offer (Reynolds, 2005).

Veterans, or those born between 1925 to 1942, may be mostly retiring but their influence helped shape the corporate world as we know it. They are most likely keen on traditional benefit plans, and value respect for experience and flexibility the most. They are followed by the so-called baby boomers or those born after World War II up to the early 1960s. They are highly competitive, optimistic and devoted. They are most likely to be in senior management, and are thinking of retiring soon. Thus, retirement planning assistance, training, and politically acceptable time off are important to them. Next are the Generation X, born between the 1960s up to the beginning of the 1980s. They are the most adaptable, and seek skill development and real-time performance feedback; they are also more likely to seek immediate tangible recognition rewards.Today, most entry-level positions are filled by the so-called Generation Y, now popularly known as the millennials, or those born in the latter part of the 1980s and well into the 1990s. They are optimistic, self-confident, achievement-oriented, and sociable. They are also highly interconnected through technology, and treat work-life balance as a given. They are most likely to seek learning opportunities, credible role models, and balance.

Millennials are particularly interesting to observe in today's workplace. In the Philippines, for example, the country has already reached the so-called "demographic sweet spot." This simply means that the median age of the population is 23 years old; thus, we have a work force that is not too young and not too old. Companies today will find that many of their new hires belong to the millennial generation.

A survey (Moss, 2014) revealed that this new generation in the workplace is ambitious, with almost a third (28%) looking forward to assuming leadership positions in the next ten years. Around 79 percent say that they are willing to quit their current jobs to start their own business as well. Unsurprisingly, majority are not concerned with money, and instead look for mentorship and care about the type of work they are doing. They can be described as restless as well, and it comes as no surprise that hiring managers find it difficult to attract and retain millennial employees.

The changes in today's workplace are more drastic and dynamic than ever before. It is now more connected with the rest of the world, and it is now more diverse, not just in terms of culture but also in terms of the inter-generational interactions among the people within.

The success (or failure) of a company lies in how its people are taken care of. Human resource management "aims to increase organizational effectiveness and capability—the capacity of an organization to achieve its goals by making the best use of the resources available to it" (Armstrong, 2010). One important approach that could improve an organization's value proposition, and conversely, its overall human resource management, is the so-called total rewards strategy. Consulting firm WorldatWork (2011) elaborates on leveraging the firm's compensation, benefits, work-life balance, performance and recognition, and providing opportunities for career development. This serves as the backbone in answering the question potential recruits want to know about but are too afraid to ask: "What can I get from you?"

Understanding Total Rewards

Employers now face the "triple threat" of economic slowdown, competition for critical talent, and the growing realization that long-established workplace practices no longer apply at present (Towers Watson, 2012b). In addition, a National Flash Survey revealed that contemporary top HR issues include attracting top talent, keeping key talent, developing and maintaining competitive compensation, keeping employees productive and engaged, and developing leaders in organizations (Evans & Dalik, 2012).

Companies today find themselves dealing with two major "workplace revolutions" (Schuster & Zingheim, 2001): the realities of the better workforce deal, and the migration to total rewards. These new developments in the workplace stem from the evolution of the relationship between employers and employees. In the first deal or the "old deal" of the 1980s, a paternalistic relationship emerged with the assumption that workers seek a career in the organization for life; as such, entitlement and tenure determined pay and rewards. The balance tipped in favor of the workforce. By the 1990s, the "new deal" emerged, characterized by tough love where downsizing and layoffs became more commonplace, which in turn created an atmosphere wherein people were treated as commodity and the bottom line was more pronounced; the balance, therefore, tipped in favor of the organization. As the new millennium arrived, however, a balancing act had to be established in favor of the "better workforce deal," which is based on mutual accountability and win-win partnership, with both parties looking out for each other; workers deliver on organizational goals while companies invest in the welfare and growth of their people.

At the core of any compensation or rewards system are the fundamentals of human behavior. Zhou, Qian, Qi, and Lei (2009) demonstrate how various theories on human psychology provide useful lenses in human resource management:

1. The timeless **Maslow's hierarchy of needs** explains how motivation is driven by addressing physiological needs first, then safety, then love, then esteem, leading to self-actualization in that order.
2. Similarly, **Alderfer's ERG theory** shows how needs pertaining to existence, relatedness, and growth can become motivators simultaneously and distinct from each other.
3. The **two-factor theory** posits that both hygiene factors and work-related motivators contribute to overall motivation of workers in an organization.
4. **Expectancy theory** basically demonstrates that employees tend to put greater effort into their work if they perceive that they will be handsomely rewarded for their work.
5. **Adam's equity theory** meanwhile assumes that employees will compare their work input to the output they get from the company; thus, demotivation is to be expected when employees feel that they receive less output for the exerted extra input they devote.

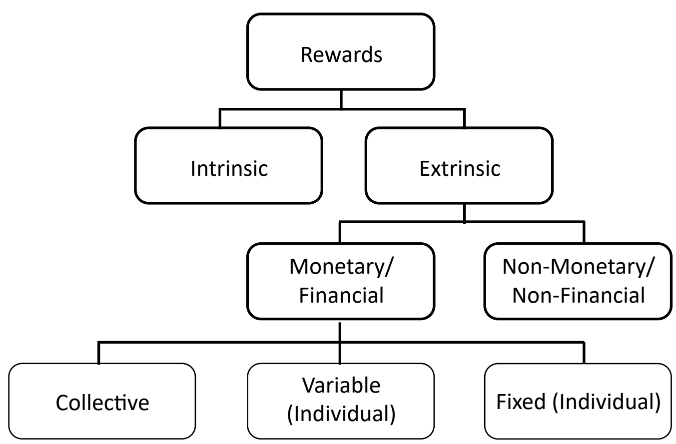
Understanding these theories on human behavior allows for better appreciation for the holistic approach required in providing total rewards. Sound reward management, or putting up "the strategies, policies and processes required to ensure that the value of people and the contribution they make to achieving organizational, departmental and team goals is recognized and rewarded" (Armstrong, 2010: 267), is an essential part of overall human resource management.

Reward management "adds value" to the people who put in their time and effort for the organization. It helps to achieve business goals through high performance, develop good organizational culture, set what behaviors and outcomes are important for the company, align rewards to what the employee needs, help attract and retain high-quality individuals and overall, win the engagement of the people (Armstrong, 2010, p. 267-268). It is part of a comprehensive human capital strategy which "represents the people side of business design: selection, development, deployment, motivation, management, and retention of people to carry out the business strategies" (Gross & Friedman, 2004).

Key to effective reward management is the development of the total rewards strategy, "an integrated, optimal mix of rewards that help companies achieve the highest return of investment (ROI) by aligning rewards with business strategies, delivering value to critical workforce, and building a stronger employment brand" (Petruniak & Saulnier, 2003). For the employer, this means creating value through people to attract, develop, focus and engage, produce, and build commitment, ownership and loyalty. For the employee, this entails achieving meaningful work experience through personal fulfillment, wealth accumulation, job security, and competitive pay.

Some companies mistake total rewards as mere total remuneration, equating it simply as compensation and benefits. Others only ride with the latest "buzz" in HR by defining total rewards as anything that is rewarding about working for an employer or its value proposition (Kantor & Kao, 2004). Total rewards, however, goes beyond these HR concepts. It is a "focused game plan that allocates resources and tailors activities to achieve a target performance level within a prescribed timetable" (Hiles, 2009). In order to do that, it is important to first understand rewards in the first place.

Table 1. Taxonomy of Organizational Reward Types



Source: Medcof & Rumpel, 2007

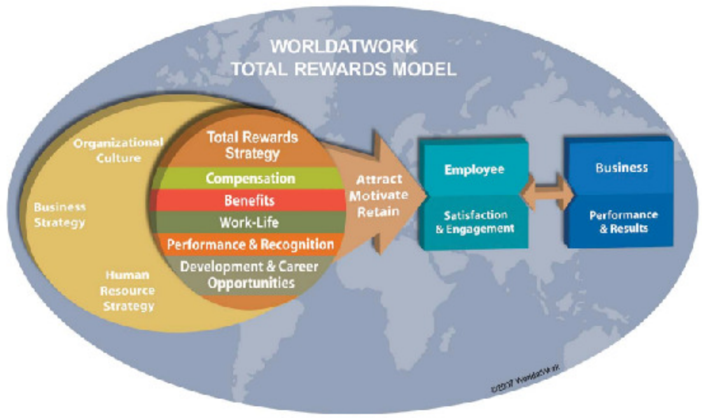
Siegrist (2002) puts it succinctly: "All major contracts in social life, including the work contract, are based on the principle of reciprocity." While organizations should be able to monitor the performance of the people they hire, they should likewise be wary of what gains it provides for those individuals. Rewards are those gains individuals get for doing their job. These rewards can be extrinsic or those that involve compensation for work done, which in turn can either be monetary/financial such as getting wages or bonuses that are given for the collective, as individuals, or as fixed part of their contract. They could also be non-monetary/non-financial, such getting vacation leaves or added perks like free gym memberships. These rewards can also be intrinsic or those that come from the satisfaction of doing the work in a particular company. Table 1 provides a "taxonomy" of these organizational reward types (Medcof & Rumpel, 2007).

Employers should take note of how these rewards interplay and balance each other to ensure overall worker satisfaction with their job. Zhou, Zhang, and Montoro-Sanchez (2011) demonstrated that while tangible, extrinsic rewards are vital in encouraging innovation among employees, in excess these may actually depress innovative behavior by eroding self-motivation. However, intrinsic rewards that emphasize desirable behavior, such as recognition, learning support and flexible empowerment, actually promote innovation. The extrinsic and intrinsic rewards are not exclusive of each other; rather, their interaction is inclusive and complementary.

Total rewards systems cannot exist outside an organization. Instead, they are deeply ingrained and molded by an organization's particular culture and overall business and HR strategies. WorldatWork (2011) provides a clear model as to how the total rewards strategy fits in the overall organization. (See Table 2.)

This particular model encourages companies to leverage five key elements to attract, motivate, and retain talent: compensation, benefits, work-life balance, performance and recognition, and development and career opportunities. It emphasizes a give-and-take relationship wherein the employer provides total rewards valued by employees, who in turn deliver time, talent, efforts and results, and vice versa. It is influenced by the overall business strategy, organizational culture, the HR strategy, external influences, and geography, which all provide context that tailor fits total rewards to a particular company.

Table 2. Total Rewards Model



Source: WorldatWork, 2011

A Closer Look at Total Rewards

Total rewards encompasses various elements, embracing practically everything that employees value and gain from working (Medcof & Rumpel, 2007). These categories make up the different rewards employees expect from their employers—intrinsic and extrinsic, monetary and non-monetary, tangible and intangible. A better understanding of these elements can make for a better appreciation of the total rewards system at work. Christofferon and King (2011) provide a layman's definition to these key elements identified by WorldatWork (2011):

1. Pay

   Also referred to as compensation, salary or wage, comprises the most fundamental, tangible reward employers provide their employees. It includes fixed or base pay and variable pay which covers short- and long-term incentives. This also includes the bonus plan. It can be considered the most traditional form of reward, and it remains necessary for business success.

2. Benefits

   Employers also have a responsibility to protect employees and their families from financial risks. This includes basic benefits such as health care and social security, as well as traditional ones such as retirement pay, medical and dental insurance, and welfare premiums. This also covers non-monetary rewards such as paid vacation and sick leaves, and other paid time-off.

3. Work-Life Balance

Companies should also consider programs that help its employees do their job effectively and minimize work burnout. Flexible scheduling, telecommuting, child-care programs, even paid sabbaticals and the like provide support for employees to succeed in their households as well.

4. Performance and Recognition

Organizations must also be able to align team and individual efforts towards achieving business goals by establishing expectations, skill demonstration, and assessment. In line with this, recognition must be given to paying special attention to employees for their accomplishments and success. This reinforces the value of continuous improvement and desired behaviors. Whether formal or informal, cash or non-cash, awards such as verbal and written recognition, trophies, plaques, gift certificates or freebies help acknowledge employee contributions immediately after the fact, especially for those who go beyond the call of duty.

5. Learning and Development

Employers can also motivate its workforce by planning for their personal career advancement and skills improvement. Trainings, tuition assistance, coaching and mentoring programs, succession planning, apprenticeships, and performance management can be implemented as part of these career-enhancement endeavors.

These key categories meld together to form an organization's total rewards strategy. It is important to note that applying these rewards systems should be geared towards articulating a unique value proposition to attract and retain current and prospective workers while implementing programs with maximum motivational impact to bring out desired behaviors (Kantor & Kao, 2004). Thus, total rewards seeks to create a win-win, symbiotic relationship, which in turn generates positive outcomes for the bottom line.

Evans & Dalik (2012) summarize the goals of a total rewards strategy, encapsulating what companies intend to do while developing their employees and what they expect to gain from it:

- To attract, motivate and retain through total compensation;
- To align total rewards strategy with business strategy;
- To build commitment for the principles for the total reward programs;
- To provide guidance for choices of programs to be offered;
- To encourage competency building by better linking career development, performance management and rewards;
- To support a performance-driven work culture that generates organizational growth;
- To pay for performance, skills and competencies, development and growth, and effective commitment in the organization.

While much has been said about the benefits of a total rewards system in place, the realities in the workplace today show that all these are easier said than done. Among MSMEs in the Philippines, for example, compliance with pay and benefits are limited to the compliance of statutory requirements (Binghay, 2015). Medium-sized businesses, which could well afford to give more to their employees, were found to simply offer the barest minimum. This situation is worse among smaller businesses where violations of minimum wage laws and the Labor Code are rampant. Many workers are deprived of basic benefits such as rest days, overtime pay, mandatory enrolment with the Social Security System (SSS), PhilHealth, and PAG-IBIG service incentive leaves, holiday pay and 13th month pay, all of which are part of Philippine statutes. Workers with less formal education are similarly vulnerable and are at times taken advantage of by unscrupulous employers.

On the other hand, establishments that do try to manage a total rewards system encounter difficulties owing to various factors, including internal disagreements on its usefulness, vague total rewards strategies that are based merely on trends and buzz, and poor and ineffective communication (Kantor & Kao, 2004). Often, there is chaos and confusion over how total rewards is to be understood and appreciated given the peculiarities of a particular business and specific needs of its employees.

Lawler (2011) warns that an organization that treats individuals in a similar manner risks treating no one optimally. He asserts that businesses must move from a one-size-fits-all employment deal and consider the individual needs of its people. In addition to the generational differences discussed earlier, businesses will inevitably have to deal with all sorts of personalities. Companies may need to determine their organizational makeup in order to determine which reward programs they could tailor fit to their employees. A Maritz Poll revealed distinct employee types that businesses should watch out for (Anonymous, 2007):

1. **Award seekers** want rewards with monetary and trophy value. They are not keen on rewards that veer them off their daily routine. Gift cards and travel awards work for them.
2. **Nesters** are turned off by rewards that would mean keeping them away from home, such as travel incentives or attending conferences. They find importance in balancing work and personal life. Days off, flexi-time, and packages that would allow them to spend time with their families (e.g. dinner out) are appreciated by them.
3. **Bottom liners** look out for the monetary value more than the trophy value of their rewards. Cash incentives or cumulative points programs appeal to them more than verbal or written praise.
4. **Freedom yearners** are less materially-motivated, having already achieved a certain level of financial stability. They are more likely to focus on doing work that are personally meaningful with little interference from management. Flexible work hours, the ability to choose projects, and attending conferences are important to them.
5. **Praise cravers** seek any type of praise or acknowledgement of their work, with or without a monetary award. Verbal or written praise from their superiors or informal praise from their peers is reward in itself to them.
6. **Upward movers** tend to be the most satisfied and committed among the other types. They love their jobs and are driven to move up in the company. They value status awards, rubbing elbows with company management, opportunities to mentor

other employees, and work outside their areas, over cash bonuses, days off, or flexi-time.

Thus, companies traverse the very fine balancing act between homogeneity and individualization. Homogeneity in organizations allows for mass production, lower administrative costs, and simpler management and design of total rewards strategies. However, it also means having to treat the "good fits" better than the others on that mere basis. On the other hand, individualization allows for better talent attraction and retention by creating room for creativity and innovation while opening the doors to a diverse talent pool. Admittedly, though, it is rather costly and may prove inefficient, consuming more time as it is difficult to determine what employees want (Lawler, 2011).

The entrepreneurial spirit of creativity and innovation in business strategy applies to the total rewards philosophy as well. "An effective strategy helps guide and inspire the workforce, and should provide specific motivating direction. It is deliberate in articulating what the organization chooses to focus on, and what it chooses not to focus on" (Kantor & Kao, 2004). Companies must be clear on the purpose and topics covered by the total rewards strategy to ensure that it is clear, compelling, and differentiating.

Because of its holistic approach, which focuses on the big picture, total rewards can become dauntingly complex. It considers individual components, including cost, as part of an integrated whole. In businesses where the bottom line matters, affordability can be an issue. Total rewards needs to be entrepreneurial and marketing-focused as well. It must be functional in a stable and increasingly regulated environment (Wright, 2003). And like many innovations, creating one's own total rewards strategy will require building on the successes of others and learning from the failures of the rest, while keeping clear on the guidelines and principles that have developed over the years.

Working on an All-Star Total Rewards Strategy

Competitive, performance-linked compensation alone does not define the kind of workplace proposition that keeps employees focused and insterested; they now value rewards both tangible and intangible (Britton, Chadwick, & Walker, 1999). Unfortunately, companies use pay as their primary retention even if 88 percent of employees leave their work for reasons other than money. Ironically, almost an equal 89 percent of managers mistakenly believe that their employees leave for higher salaries elsewhere (Hill & Tande, 2006).

While organizations should pay close attention to their compensation as the most visible and tangible reward they can offer their employees, they should likewise invest in other intangible prerequisites such as: (1) providing opportunities for employees to grow, learn and develop; (2) developing managerial skills and ensuring fair, consistent treatment, leaving no room for favoritism; and (3) designing creative ways to recognize all employees for their role in the company's success (Hill & Tande, 2006).

In order to provide a solid foundation for the implementation of the total rewards system in the workplace, companies need to understand their current status as an organization and draw their assessments on key areas, namely: business plans and performance, leadership perspective, workforce profile and personal perspectives of employees, current reward programs and processes, and marketplace conditions and trends (Towers Watson, 2012). Only through comprehensive, inclusive, and honest-to-goodness introspection can companies move forward.

Subsequently, companies must be able to fully utilize the information they gather from their self-assessment. Towers Watson (2012b) lists eight guiding principles—performance orientation, competitive positioning, affordability, shared responsibility, career orientation, individual flexibility, segmentation, and delivery—that will further substantiate and articulate the total rewards plan. Furthermore, in an environment of stiffer competition, companies must be able to answer important questions that will help them stand out among other employers (Hill & Tande, 2006). Note how the following questions on pay and compensation are enhanced by questions on non-monetary rewards:

- What would we say or do to attract and retain people if we had to pay 20 percent below market?
- How do our nontraditional rewards set us apart?
- How do we manage better?
- What makes our culture special?

The key to success is in determining the right mix of rewards for your organization's total rewards program to become an employer of choice in today's scarce labor market (Parus, 1999). In fact, Petruniak and Saulnier (2003) insist that employers must be able to hit the "sweet spot," which strikes the right balance between effectiveness and cost. In order to do so, companies must be able to align their rewards to drive employees towards business outcomes by ensuring that these rewards are meaningful to employees and cost-efficient to the employers. "The ability to coordinate design and delivery, and build more integrated reward strategies, will be essential in shaping an effective overall work experience" (Towers Watson, 2012b).

Heneman and Coyne (2007) describe four phases in implementing a rewards program, "akin to carrying out any large-scale transformation initiative": assessment, design, execution, and evaluation. These phases form a cycle that is continuously repeated until it leads to deeper learning ingrained within an organization.

1. Assessment

   At the beginning of implementation, companies must first identify existing rewards systems already in place, and then brainstorm on how to improve on it. In order to do so, extra effort must be exerted in conducting research and analysis, such as conducting focus groups, using industry benchmark surveys, examining current policies, surveying employee attitudes towards rewards, reviewing literature, and writing a comprehensive report.

2. Design

   After thorough assessment, companies must then identify particular employee and workplace attributes to reward, and the kinds of rewards to offer. It is at this point that pay levels, pay increases, and incentives are determined. Benefit packages are also defined, taking into consideration cost, how to communicate these packages to employees, and how much choice they will be given in selecting which would benefit them. Personal and professional development are also taken into consideration, which entails creating a healthy work environment that includes physical and physiological aspects of the job design, providing recognition programs, and ensuring work-life balance.

3. Execution

   With a design to serve as blueprint, the new system must now be put in place. Companies must consider that, unlike before, all employees from the highest executive to the lowest support staff are eligible for total rewards. Support from top management must also be solicited to ensure that they are not only covered by the new system but are also on top of executing it. Criteria for measuring to what extent an employee receives a reward must also be in place at this point through reliable and valid data. The nitty gritty of project management, such as when a plan will be operational, how the new program will be communicated, how people will be trained, among others, must also be sorted out.

4. Evaluation

   Results must be compared to desired outcomes to see how effective a program in place is, although this phase is probably the most often overlooked. Measurement tools such as workforce surveys can be employed to generate data. Income statements can be checked to see how total rewards affected costs, profits and revenue. The point is, collected data must be measurable vis a vis previous assessment, and can serve as basis in future assessments as well.

Inclusivity and maximum participation is needed in strategizing and implementing total rewards. The top-down management approach may not necessarily work as effectively as before, and this applies as well to the shift in total rewards strategy of today. Part of this “new school of thinking” (Brown, 2006) requires that contemporary compensation strategies should have clear, straightforward goals, and not be over-engineered. Likewise, the role of line managers should be paid attention to, and constant communication with employees must be established. The overall objective of total rewards is to release the potential of every employee to deliver goals, thus putting the need of employees first, and so more diversity is needed in the plan design.

Overcoming Challenges and Reaping the Effects of Total Rewards

Total rewards may be effective tools in creating a positive workplace to increase employee engagement, but this is often easier said than done. There are challenges in managing rewards and recognition programs (Anonymous, 2011) that basically boil down to the following:

- Getting employees and managers to actively participate in the program;
- Ensuring employees are being rewarded and recognized fairly and consistently;
- Making the business case, finding the budget and showing a return on investment;
- Administering and communicating the program.

On Engagement

A well-though out design or plan can never be executed fully without the support of the stakeholders themselves, and this is especially true in getting employees and managers to actively engage in the total rewards program. Companies often find themselves struggling to connect their rewards and recognition programs with their employees (Anonymous, 2011).

Canadian healthcare center, Trillium, however, was able to effectively deliver its total rewards programs effectively with a simple line: "You matter." The company launched a People Promise campaign, which focused on instilling pride among employees. The company made sure that its management teams were all informed, and were equipped to handle employees' questions regarding the program. They also worked on making personalized total rewards statements and incorporating it in their HR information system so changes in employee pay are not made manually (Anonymous, 2010). The company has since been recognized as one of the Best Workplaces in Canada.

Another Canadian firm, the Saskatchewan Research Council, has been targeting a diverse market because of its diverse business. As such, they built a flexible design in their total rewards program to deal with the demands of their diverse workforce. The company has taken total rewards for years, making changes and tweaks as the economy and its population changed. Among the elements in their total rewards program are compensation structures, health spending account, pensions, and education programs through development. They follow a cycle, finishing one element, and then picking up another one.

Rewards are influenced by feedback from employees through regular employee engagement surveys, focus groups with independent consultants, and their staff relations committee and pensions advisory committee. The feedback helped the organization tweak their programs and find the strategy that is suitable to what everyone is looking for (Dobson, 2011). In designing their reward program, it is important that companies realize that they must strive for the "best fit" and not necessarily the "best practice" approach (Morris, 2005) in order to maximize participation by the very people the program intends to cover.

On Fairness and Equity

Another huge and perhaps even more challenging issue companies encounter is equity. The difficulty lies in the fact that employees, and sometimes even employers, have very little understanding of where the value of the business comes from and how the business operates. Equity can and does turn out to be, in the long run, a scarce resource that has to be rationed (Norman, 2000).

Companies must be wary if they are rewarding their people fairly. An IOMA Report on Salary Surveys revealed that some workers are over-titled or are being paid less than 70 percent of the market value for their job title. This leads to complications both ways. Employers need to be realistic about the job titles they offer and their corresponding description. On the other hand, employees can now easily compare their job's salary to other companies via the Internet, but they also fail to appreciate the value of the benefits they receive (Anonymous, 2007).

In dealing with fairness, managers must realize that rewards can backfire too. The Waikato Times (2013) reported the case of an industrial laundry manager who began a monthly draw for employees with a perfect on-time record. The prize was a 75-dollar gift card. However, instead of motivating employees, it demotivated them. Why? Because employees who have been punctual were offended when their less conscientious colleagues began winning gift cards (especially since co-workers are keenly aware of each other's working habits).

Rewards should not penalize employees either. Nothing ruins receiving a bonus than seeing it shrink after tax deductions, or getting a company-sponsored vacation only to incur taxes from the trip. Employers must find creative means for employees to enjoy their rewards without having them bear the brunt of taxes—in a legal manner, of course. One example is announcing a $100 bonus, but giving the employee $133.37 instead of a $100 check, which becomes $66.63 after taxes (Grensing-Pophal, 1999).

Moreover, companies should not discriminate either. All employees, whether full-time or part-time, must be considered eligible for bonuses (Lefter, Nica, & Mironescu, 2009). With the rise in contingent staffing, companies must realize that temporary and contract workers are just as important as full-time or part-time employees. Others prefer becoming temporary or contract workers because of the flexible work time, choice of assignments, and having time for family. Staffing companies must likewise adopt total rewards practices to attract such talented workers as well (Netland, 2006).

On Cost

Inevitably, companies will have to look to their bottom line. HR departments find themselves working with a limited budget, and have difficulty in determining what to include in their rewards package (Starzmann & Baca, 2004). Many companies find that their compensation and benefits program are out of sync with today's business imperatives. Most issues regarding the syncing of company rewards, however, have their roots in the alignment of business goals. Key program variables should be adjusted as business cycles change. Companies should be able to keep up with this shift and create a holistic and integrated approach to their programs (Hays, 1999).

Cost effectiveness of total rewards strategies becomes even trickier during an economic downturn. Some organizations have to make changes in their benefits because they are facing tough times, but others who are able to maintain their benefits are taking the time "to get things right." Organizations ensure that all their benefits make sense and have appropriate returns on investment. Companies must realize, however, that rewards are not just about compensation and benefits but also includes the work environment and its total offering.

Total rewards statements and portals show employees the whole picture and help them understand what is in it for them. This increases perceived value without adding too much cost (Dobson, 2009).

On Communication

Silliker (2012) tells the story of the grocery chain Longos, which doubled its employee base over the past six years but was not given credit by the employees, as seen from their engagement surveys. It wanted its employees to know that the company is giving them so much in terms of benefits and support, so it mailed individualized total rewards statements to each worker. This boosted visibility and transparency towards the company's total rewards system. It also put up communication boards in each of its 25 stores with information on the different areas of their total rewards. Longos managers were also encouraged to discuss total rewards in daily meetings, and direct employees to the total rewards boards to see what was new. TV screens were installed in lunchrooms to push ongoing corporate communications, a big part of which presented total rewards. Alongside revamping communications, Longos also updated its employee benefits programs in order to keep up with the growth of the organization. While the change in total rewards management had been uncomfortable for the company, it increased engagement scores in some areas of the business, increased employee survey scores for the questions about relevance of benefits and the fact that the company cares for its employees and its families. Further, increased visibility enabled Longos to continue attracting and retaining great talent, and helped raise its brand awareness.

The example above shows the importance of communicating total rewards to employees. Programs, however, will not serve their purpose if employees remain unaware of the total rewards. Unfortunately, because of ineffective communication, the primary elements of the rewards program's beauty get lost and employees are drawn somewhere else; thus, the goal now is to understand individual learning styles, know the target audience, and decide on what and how to communicate (Sanders, 2001).

And it does not necessarily have to cost a lot. Instead of putting more money into the program, employers should step back and capture the total value of the program, then communicate it to their employees. To maximize its value, firms must ensure that programs resonate with every employee. This could be through personalized communication in the form of print or online statements, or perhaps through robust online total rewards websites that feature online modelling tools (Macpherson, 2007).

Kapel and Wright (2006) suggest that the quality of communications of total rewards is as important as the quality of the program itself. Some firms try to communicate but do not get expected returns because employees do not fully understand—or appreciate—what is being offered. As such, the employer brand or "the package of functional, economic and psychological benefits provided by employment and identified with the employing company" (Amber & Barrow, 1996 as cited in Barrow & Mosley, 2005) becomes all the more vital. If companies can remind their employees of their total rewards quarterly, monthly or on demand, the impact of the total rewards is greatly increased (Workforce Management, 2009).

Establishments can leverage their total rewards both within the organization through creative means, similar to what Longos did, and to the outside world as part of their employee value proposition (EVP) or the employment deal that a company offers in exchange for the productivity and performance of an employee (Sejen & Yates, 2011). Good communication requires that the all-important question that employees will ask their employers should be answered: "What's in it for me?"

Importance of Leadership

"Authentic leadership is stewardship of people, capital, customers, suppliers and owners" (Shomer, 2006). The total rewards model is about acting small and acknowledging the value and contributions of people; a common sense approach of finding, keeping, and growing the right people. In fact, some companies achieve total rewards rather instinctively, implementing total rewards without calling it as such.

In the design and implementation of total rewards, the right project team must be drafted. The project leaders, preferably senior HR professionals with project management and total rewards experience, can be tapped with the help of a strong support group for employee representation (Heneman & Coyne, 2007).

Organizational leaders and managers must be team players as well. Pfau and Kay (2002) put it poetically: "When the CEO is seen to be in the same boat as everyone else—whether battleship or lifeboat—morale, and therefore productivity, soar."

Kwon and Hein (2013) elaborate further that leaders need to manage rewards as a portfolio and not just as a mere set of programs. They should also be more open to communicating with employees and ensuring more performance-based rewards and incentives. Moreover, they are expected to be open to new and innovative ideas on program design to make the company stand out in the marketplace. In terms of management style, they should continue to centralize design and administration to better oversee efficiency coast.

"Successful leaders depend on followers who want to feel that they are being led in the right direction. They need to know where they stand, where they are going and what is in it for them. They want to feel that it is all worthwhile" (Armstrong, 2010). This holds especially true for the millennials who now make up the new constituent in the workforce. Managers now play a crucial role as leaders and role models in developing the next batch of organizational leadership (Rikleen, n.d.), especially for a generation that values mentorship and career development over monetary gain (Moss, 2014).

Subsequently, poor leadership can also be a bane for many employees. At least one in five employees leaves due to issues with management (Hill & Trande, 2006).

Effects of Total Rewards

In their study, Abugre & Sarwar (2013) concluded that rewards and work relations had a positive impact on job satisfaction, which in turn had a significant relation with increased customer satisfaction and loyalty. Employees who come in contact with customers and are responsible for customer satisfaction, reflect the entire organization's effort to win and retain people. Thus, it is important for employees to take initiatives, to be autonomous, to experience satisfaction from their work, and to feel that they contributed to the operation of the company (Gkorezis & Petridou, 2008).

Treating employees well has far-reaching consequences, as pointed out by Maxham, Netemeyer, and Liechtenstein (2008). They noted that those who are treated justly perform better. Their perception of organizational justice spills further as positive customer evaluation.

Total rewards connects business strategy to create a high performance culture. It also generates maximum return on the rewards program investment. It creates affordable and sustainable costs, and supports the overall employment brand (Morris, 2005).

Parus (1999) summarizes what we can expect the total rewards strategy to achieve:

1. Reflect individual business unit goals, values, and culture;
2. Motivate employees to support the vision;
3. Meet the needs of specific employee groups;
4. Encourage high performance behaviors;
5. Raise perception through ongoing communication;
6. Send consistent messages through media, systems, and leadership;
7. Recognize that behavioral change is a long term process.

Conclusion

The ever-evolving global market has brought tremendous shifts in workplace dynamics and how to properly manage human capital. We are now seeing a multi-generational workplace with such varied backgrounds, preferences, principles, and motivation. This holds true especially with the youngest generation in the workplace, the millennials, whose priorities are more inclined towards finding meaning and developing their careers. The period of paternalistic, cradle-to-grave employment has now given way to employees hopping from one job to another.

It is no wonder then that companies find themselves in a seemingly unending war for talent. Competition is stiff when it comes to attracting, motivating and retaining personnel. Studies have pointed out that people leave for reasons other than money. As such, human resource managers now face the reality that mere compensation is not enough. The overall employment experience must be taken into consideration as well, and thus, total rewards strategy becomes the perfect tool to align employees with the company's overall goals and direction.

Total rewards provides a model for rewards management that encompasses wages, benefits, work-life balance, performance and recognition, and career and professional development. It encompasses intrinsic and extrinsic rewards, tangible and intangible rewards, monetary and non-monetary remuneration. It is concerned largely with how companies live up to their employment deal with their workers, reflecting the paradigm shift from the old top-down management approach. Likewise, it is a transformative initiative which requires thorough assessment, design, execution, and evaluation. When implemented effectively, hurdling challenges in engagement, fairness, cost and communication, total rewards can provide leverage in solidifying a firm's employer branding and overall employee value proposition.

Moving forward, companies should expect more changes in the years ahead, especially as a new generation takes the reins of leadership in companies worldwide. The cyclical approach of the phases of total rewards allows for constant assessment and evaluation, making this strategy as dynamic as the environment it treads in.

In the end, total rewards drives to the core of human resource management. It puts the people who make up an organization first and at the forefront. It encapsulates what HR management is all about: taking care of the people so that the people will take care of the business.

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