COMMUNICATING TOTAL REWARDS

3 KEYS TO BUILDING ENGAGEMENT & RETENTION
Introduction

Establishing an effective compensation strategy is a critical part of improving engagement and retention, but in reality, it is only half the battle. Of course, the other (equally important) half is communicating the total value of compensation to your employees via a well thought out total rewards communications program.

The ways in which organizations communicate total rewards have shifted significantly in recent years. In fact, communication with employees in general has evolved with the changing business landscape. As such, many business leaders are now wondering: what are the best practices for communicating critical information – such as total rewards – to employees?

In this guide, we’ll answer that question by delving into the following topics:

- Why It’s Important To Communicate Total Rewards
- Solutions For Poor Communication
- The Objectives Of A Communications Program
- How To Balance Theory and Practice
- Ways To Implement Transparency
- How To Tailor Your Delivery To Different Audiences
- Tips For Measuring The Success Of Your Communication Plan

We will also provide actionable tips that you can incorporate into your business practices to facilitate better communication surrounding rewards, and thus build an even stronger sense of trust between employees and the organization for higher retention, stronger commitment, and more engagement.

To start, we’ll begin by discussing in greater detail why it’s important for managers to communicate total rewards to their employees.
The Importance of Communicating Total Rewards

In the introduction, we discussed briefly how communicating rewards can boost retention and engagement. While compensation is only one piece of what works to attract and retain employees, it is quite a significant piece. In order for employees to understand their value in the organization and the fairness with which you’re compensating them, you must become transparent about rewards. Here are a few more things to consideration about communicating rewards:

Communicating the “Why” Behind Compensation
One aspect of communicating total rewards to employees is enabling them to see the reasons behind why compensation decisions were made. Employees should be able to understand the organizational philosophy, and how that fits into compensation decisions. Showing them why decisions were made will allow them to feel more valued.

Illustrating Competitiveness
In addition to feeling valued within the organization, employees must also feel that the compensation is competitive. When you present as much information to them as possible, they’ll be able to see the “big picture,” instead of just a few small pieces. This can aid in retention efforts, because employees who feel that they are being compensated fairly know they are valued fairly and are less likely to leave.

Squashing Rumors
The more information you present to employees, the less likely it will be for them to breed misinformation and gossip. When everything is laid out on the table, it reduces the odds that rumors surrounding compensation will be spread.
Employees are Dissatisfied

According to recent data, many companies could be doing a better job of communicating compensation to their employees. Here are some statistics to consider:

- More than half (52%) of employees feel that their company does not explain pay programs effectively (source: Towers Watson Global Workforce and Global Talent Management and Rewards Study, 2014)
- 53% of respondents in a PayScale survey said that their company does not provide manager training on how to communicate compensation to employees (source: PayScale Compensation Survey, 2014)
- 29% of employees surveyed by WorldatWork feel that pay communication needs the most improvement out of all components of their company’s rewards program (source: WorldatWork, 2007)

As you can see, there’s some room for improvement when it comes to communicating rewards.
Solutions for Poor Communication

Even if you think that your organization is doing an adequate job of communicating rewards, there is always room for improvement. Also, it’s important to consider how things are being perceived from the employees’ perspective. Here’s another startling disconnect: despite the fact that a good portion of employees want better communication when it comes to compensation, only 31% of HR managers think that their employees understand how their compensation plan operates.

So, if the majority of companies need to improve compensation communication, what are some things they can do? For starters:

- **Minimize Technical Jargon**
  By nature HR and compensation specialists use technical language when developing compensation plans. Yet, it’s important to keep in mind that not all employees will be familiar with some of the terms used. One way to simplify the language is to seek out a communications expert in the company. It could be a person in the HR or marketing department, and/or someone with an English degree. Once you’ve identified this person, see if you can collaborate with him/her to marry communications and technical expertise to create a comprehensive plan that’s more digestible for all employees.

- **Make It Simple**
  The person planning the rewards program should design it with simplicity in mind. This will make it much easier when it comes time to communicate not only the plan itself, but also the rationale behind why decisions were made and why things have changed.

- **Share More Information – Not Less**
  Whenever possible, share as much information as you can. This will help employees feel informed and empowered. Historically, managers were more inclined to share less information with their employees, but the business landscape is moving in the direction of transparency more and more. That’s because business leaders are seeing now that informed (and thus, empowered) employees are more engaged and more likely to stay committed.

- **Don’t Over Complicate Incentives**
  It’s fine to use incentive programs where that’s what works best in your organization. At the same time, it’s especially important to keep this aspect of the compensation plan simple. You want to make sure that your employees (and your sales department especially) are spending their time focused on efforts to achieve goals, not trying to calculate their bonuses.
Objectives of a Communications Program

Now that you have a better understanding of just how important it is to improve communication regarding compensation, let’s discuss some objectives for an enhanced communication program.

- **Awareness**
  Ultimately, you need employees to become aware of what it is that they’re receiving in terms of compensation. Allow them to see the all-encompassing nature of your rewards program – not just a few components.

- **Understanding**
  It’s equally important – if not more so – to communicate the reasons why compensation decisions are made.

- **Appreciation**
  Once employees understand the principles behind the rewards program, they’ll be more likely to appreciate it – and feel appreciated in return.

- **Engagement**
  Employee disengagement is a serious issue plaguing organizations today. It’s linked to dwindling morale and poor performance. One effective way to engage employees is to increase transparency and show them the full scope of compensation.

- **Retention**
  The cost of turnover is overwhelming, not only financially but also in terms of skills, knowledge, and talent. Engaged employees are more likely to be retained employees, so these last two objectives go hand-in-hand.
Balancing Theory and Practice for Effective Communication

Oftentimes, managers focus primarily – or entirely – on practice when communicating rewards. In other words, we tend to discuss the mechanical aspects of compensation (how to use it, etc.) and not so much on the rewards philosophy.

To further illustrate what we mean by theory and practice, here’s a brief review:

- Theory: the rationale behind why we do what we do.
- Practice: how we do what we do

Rewards Philosophy (Theory)

We’ve talked a little bit about how you must find a way to communicate the “why” behind your rewards program. The “why” should be based in the rewards philosophy; which should be based on the HR philosophy which, in turn, should be based in the organizational philosophy. The philosophy acts as the guide that frames program objectives.

One important thing to consider when it comes to your rewards philosophy is that it’s paramount that all managers have a thorough understanding of it. Managers will ultimately be the people communicating about total rewards with their employees, so it’s crucial that they have ample training to form a complete understanding of the rewards philosophy. That way, they act as the bridge between the company and the employee, and they can also answer any questions that their team may have directly.
Mechanics (Practice)

As you already know, there’s a lot to communicate when it comes to the mechanics aspect of total rewards. Here are just a few things that you’re probably already focusing on:

- Base Pay Plans
- Incentive Plans
- Benefit Plans
- Total Rewards Statements
- Changes To Benefits, Incentive, Or Base Pay

And, of course, there’s probably much more beyond what’s listed above specific to your company.

Striking a Balance

The theory/practice ratio that you use to communicate will ultimately depend on your organization’s needs, existing practices, and culture. Depending on the context of the communication, it can vary tremendously. For instance, if you are training HR managers on compensation, communication could be 80% theory and 20% practice. More important than determining an exact ratio is making sure that you have some of each. When it comes to communicating rewards, the theory behind your compensation decisions gives value to the practices themselves, and vice versa.
Achieving Transparency

As mentioned previously, there’s more transparency than ever before in the workplace now. Sharing information can help drive communication and accountability, and letting employees know what’s going on with compensation is invaluable for driving commitment.

How Transparent Is Your Organization?

Only 13% of respondents in a 2013 Pearl Meyer WorkSpan Survey considered their organizations to be transparent. In addition:

- 39% said no salary range info is provided
- 22% said only limited salary range info (i.e., the employee’s range) is shared
- 8% said additional (but still limited) info is shared, such as the employee range and the next range up

While this certainly points to the fact that organizations need to become more transparent with compensation, the issue is still rather complicated. The fact is that many organizations that haven’t been quite as transparent in the past find it very challenging to become transparent moving forward. One way to address this challenge is to think of transparency as a gradual process.

Sharing Slowly

Some organizations are hesitant to share too much information too quickly, as they worry that employees may not be prepared for all of it at once. While it’s true that your employees may be able to handle – and actually desire – more information that you might think, there’s nothing wrong with taking a gradual approach to transparency.

Taking a Gradual Approach

As long as you’re sharing more information than you have in the past, you’re moving in a direction toward transparency. That certainly doesn’t have to mean sharing everything all at once. For instance, you could publish quarterly reports and provide a little more information at a time. Just be sure to keep your information accurate and easily accessible for all employees. Again, it’s also important to make sure that managers are prepared to answer any questions employees may have after new information is shared.
Communicating with Different Audiences

Tailoring your message to your different audiences is important when it comes to communicating total rewards, because everyone receives and responds to information differently.

Types of Audiences

Here are the main audiences to whom you’ll be delivering your message:

- **Senior Leadership:**
  These individuals not only need to understand, but also endorse, total reward plans and programs.

- **Executives:**
  They must understand and approve plans and programs.

- **Human Resources:**
  HR may require training so that they are prepared to answer any manager and employee questions.

- **Managers:**
  It’s critical that managers have ample training so that they are prepared to answer employee questions and understand how the rewards program applies to themselves and their team.

- **Employees:**
  This, of course, is your primary goal – to ensure that the employees have a thorough understanding of compensation.

- **Employees’ Families**
  Employees’ family members will also be affected by how you communicate total rewards, so again, make sure that it’s simple and straightforward.
Methods for Communication

Some methods of communication are better for certain audiences than others. Because you know your organization best, you’ll be able to determine which of the following channels will suit your audiences most appropriately:

- Face-To-Face Meetings (Both Formal And Informal)
- Print Communications
- Presentations
- Direct Mail
- Email
- Social Media
- Portals

Sometimes, providing materials prior to face-to-face meetings is a good way to allow employees to prepare any questions they may have in advance. Just be sure that any online applications are smartphone compatible, and that compensation messages do not become so frequent that they start to feel like spam. More important than the frequency of the messages is the content within them.

Measuring the Success of Your Communications

By following the best practices listed in this guide, you’ll be able to boost communications surrounding total rewards in your company.

Of course, it’s better to actually see improvement than it is to assume that the communication is working. While the measures of success will be more qualitative than quantitative, here are some strategies for determining whether you’ve improved communication on total rewards:

- Survey HR And Line Managers
- Make Sure Employees Are Receiving Messages – Just Ask!
- Monitor Questions And Complaints
- See Whether Employees Are Signing Up As Planned
- Gauge Reactions From Managers And Employees
Summary

By now, you hopefully have a solid foundation for implementing new strategies to communicate total rewards in your organization. To review, here are some key takeaways from this guide:

- **It’s Important To Communicate Total Rewards:**
  Effectively communicating your compensation plan will help employees recognize their value in the organization, and can also help drive engagement and retention.

- **You Can Improve Your Communication With Easy Solutions:**
  One way to communicate more effectively is to enlist the help of a communications specialist in your organization.

- **Determine Your Objectives:**
  The purposes for revamping your communication are to improve awareness, increase understanding, drive appreciation, and boost engagement to raise retention.

- **Be Sure to Balance Theory And Practice:**
  Don’t just show employees how the compensation plan works, show them the reasons behind why it’s structured the way it is.

- **Become Transparent:**
  It doesn’t have to happen instantly, but gradually, you should be sharing more and more about compensation with your people.

- **Tailor Your Message Appropriately:**
  There are many audiences to whom you’ll have to deliver messages about compensation. Choose the channels that will be most effective for each group of people in your company.

- **Measure The Success:**
  Don’t just assume that the communication plan is working. Ask around to find out if the messages are being received, gauge reactions, and monitor complaints and/or questions.

Of course, there are many details to consider when turning your existing compensation and total rewards program into a powerful retention tool. The following page provides additional resources and tools from HRsoft and Remuneration Resources, LLC.
Resources

REWARDview | Total Rewards Software

Connect, Communicate & Engage with Your Employees

Not sure where to start? We would love to help. Contact us for a wide variety of additional resources and learn more about our best-of-breed total rewards software, REWARDview.

Click here to learn more & watch a short demo.

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