

Compensation & Benefits Agenda

Tell Them About It

Use personal statements, training and online tools to let employees know how valuable their total rewards really are.

By Joanne Sammer

Health benefit costs keep rising, global competition soars, and many companies aren't in any position to increase their expenses or bump up employees' pay. But in top workers' eyes, pay can be a major factor in whether they stay: According to a 2006 survey conducted by Watson Wyatt Worldwide and WorldatWork, 71 percent of high-

performing employees in 262 large U.S. companies said pay would be a key reason for leaving an employer.

So what's an employer to do? Try promoting rewards other than pay. Many employers already focus on the value of the "total rewards" they offer employees. Now, employers need to communicate those rewards to employees effectively so employees can

truly understand—and appreciate—what they're getting, HR professionals say. Through personal statements, training and online tools, some organizations get the word out about total rewards.

Quantifying Intangibles

After five years of communicating total rewards to employees, HR professionals at Children's Memorial Hospital in Chicago have seen significant improvements in workers' satisfaction with the value of the rewards they receive, according to Ellen Vebber, director of compensation, benefits and HR information systems (HRIS). The hospital sends employees an annual total-rewards statement with a breakdown of the dollar value of all benefits the hospital provides, from base pay to health benefits to mandated payroll deductions, Vebber says.

While definitions of total rewards and the contents of an employee's total-rewards statement can vary from organization to organization, the overall goals of generating total-rewards statements are to develop, manage and, most important, communicate all rewards programs as one comprehensive whole, employers say.

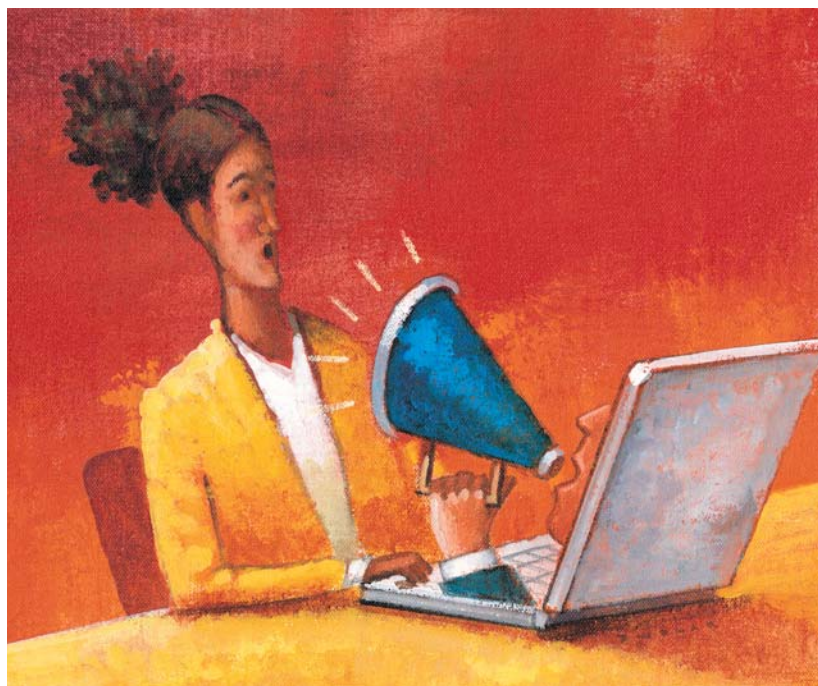


ILLUSTRATION BY PAUL ZWOLAK

Compensation & Benefits Agenda

A total-rewards statement can include anything of value that the company provides to employees, from the obvious—base pay, health benefits, bonuses and stock options, for example—to the less obvious, such as developmental opportunities, training, paid time off, work/life programs, performance incentive programs, long-term disability, state-mandated benefits, and even the organization's culture and work environment.

But can you really quantify intangibles like culture? Putting price tags on some aspects of culture is possible. For example, companies that promote their family-friendly attitudes can include the financial value of programs that contribute to that culture, such as paid parental leave, adoption assistance and on-site child care. Additionally, employers can use total-rewards statements to remind employees about programs and services designed to make their lives easier, such as take-home cafeteria meals, discounted movie tickets or wellness programs.

Keep communications about total rewards simple, advises Amy Litten,

communications practice leader for Watson Wyatt Worldwide in Cleveland. "You want to repeat those messages over and over so that employees can absorb it," she says. This is especially important when company officials try to communicate the intangible elements of total re-

employees with data, Janus says. "Keep total-rewards information to a few pages with a summary and the key information clearly visible. A four-page format is ideal," he adds. The statement typically can include an introduction, a summary of the em-

Get personal. The more information that is specific to each employee, the more powerful the communication.

wards, such as the idea that the company values employees and their future. "The whole message goes well beyond just pay and benefits," Litten notes.

Building the Statement

An organization crafting total-rewards statements should start by getting as many different perspectives as possible, says Rena Lane, senior manager of benefits, payroll and HRIS for insurance company Aflac Inc. in Columbus, Ga.

You don't want the information to come from only compensation professionals, she notes. "All of HR should be involved, and it is a good idea to gather employee feedback and interview people throughout the company for their views," she says. HR professionals have insight into what employees are thinking, but they also should have the skills to design the statement, roll it out to employees and plan ongoing communication.

When it comes to specific communication strategies, get personal. The more information the company can provide that is specific to each employee, the more powerful that communication will be, says David Janus, a principal with the Charlton Consulting Group Inc. in Rockville, Md. Personalization is also important because not every employee is eligible for all available programs, such as long-term incentives.

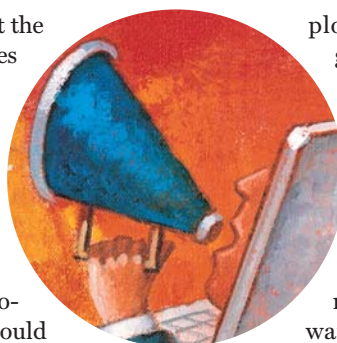
At the same time, don't overload

employee's total rewards, a graphic showing key information, and detailed information explaining the financial value of those total rewards for anyone interested.

Aflac began communicating its total rewards three years ago, and its statements have been evolving ever since. For example, this year the company added a pie chart illustrating for employees each program or benefit as a percentage of their total rewards. "We wanted to provide a visual for employees to see this, particularly the large percentage benefits represent," Lane says.

The company's statement is eight pages long, with only one page devoted to the breakout of rewards programs' values. The rest of the statement focuses on explaining the company's total-rewards philosophy; discussing elements of the total-rewards programs that go beyond pay and benefits, such as work/life programs and learning and development opportunities; and providing more-detailed explanations of specific programs the company wants to highlight. For instance, the company's most recent statements provide detailed explanations of Aflac's defined benefit pension plan, incentive stock options and other benefits available to retirees.

"We wanted to use the opportunity



► Online Resources

For more information on communicating with employees about their total rewards, see the online version of this article at www.shrm.org/hrmagazine/07November for links to:

- An HR Magazine article on web-based tools that make it easier for employees to see their total rewards.
- A SHRM webcast on marketing total rewards to employees.
- A SHRM article on devising a strategic total-rewards program.



- A SHRM video interview with Greta Green-Gentile, compensation and benefits manager for Heineken USA, on informing employees about the value of their total-rewards package.

to discuss things like the 'rule of 80' [the ability to retire with full pension benefits when an employee's age plus years of service equal 80 or more] and generally educate employees on long-term benefits like the defined benefit pension plan," says Lane. "Young people, in particular, don't always appreciate the defined benefit plan and its value, even though it is an expensive benefit to provide. We are trying to change that using the total-rewards statement."

Train for Understanding

Providing statements is just the beginning of total-rewards communications. It's important to "make sure we reach everyone and that everyone understands the information we are providing," says Vebber. "You don't want the information to be either too complex or too basic." Children's Memorial Hospital holds information sessions to help employees interpret their statements.

"The challenge is to get employees to open a total-rewards statement either on paper or online, read it, and absorb the information," Janus says. "To do that, it is a good idea to make the release of the total-rewards statement into an event. That way, there is a better chance people will look at it." That event could be a meeting or training session, even an employee party to launch the statements and get attention.

Pharmaceutical firm AstraZeneca PLC reinforces its total-rewards communications by training employees in how various programs work, particularly incentive programs, and how employees can affect results and payouts in such programs. For example, the company trained employees on how their restricted stock works. "When most employees see 500 shares of restricted stock on their total-rewards statement, it may not mean much," says George Murphy, the company's executive director of compensation and benefits in Wilmington, Del. "You need to explain what it is, how the employee earned it, and how they can earn more."

Total Rewards Online

Murphy recommends that employers

'The challenge is to get employees to open a total-rewards statement ... and absorb the information.'

get total-rewards information online as soon as they can. Communicating employees' total rewards online becomes an ongoing process instead of a single, annual event. AstraZeneca soon will move all of its total-rewards information to an online portal that allows employees to view information and use tools to take action on various total-rewards programs. "This will also allow us to provide greater messaging about what is going on and what is important in the area of total rewards," says Murphy.

Watson Wyatt's Litten agrees. Online total-rewards communications can be updated much more frequently and be made available to employees at all times, she says. "If you update total-rewards information frequently, it gives employees a reason for going back and re-viewing that information," says Litten.

Organizations also can add online modeling

more frequently and be readily accessible to employees. When that happens, these employers add, HR's mandate will be to create an environment where employees regularly check their statements to see how their total rewards progress.

Beyond Benefits

Once total-rewards communications have been in place for some time and employees are knowledgeable about the value of the rewards they receive, consider leveraging those communications to help in other areas. Acton, Mass.-based Haartz Corp., a manufacturer of automotive and marine coverings, has

used a total-rewards approach for five years. But now, officials want to use total-rewards communications as a way to motivate employees to become better health care consumers.

"We've already seen a change in employee attitudes about health benefits



Communicating employees' total rewards online becomes an ongoing process instead of a single, annual event.

tools that let employees see how their total rewards might change under various scenarios, including retirement modeling that helps employees better appreciate the company's retirement benefits, Litten notes.

Some company officials say they count on the installation of HRIS to bring total-rewards statements online so that statements can be updated

because we've created awareness of the total cost," says HR director Dianne Jopling. "The hardest thing to overcome is getting employees to make the connection between their health care spending and the company's bottom line."

Because Haartz is self-insured, any decrease in health benefit costs directly benefits the company and its employees. To reinforce that idea, officials plan



Compensation & Benefits Agenda

to use its total-rewards communications to talk about reducing health care costs through wellness programs and other efforts.

Overall, HR professionals would do well to take a page from their marketing peers when it comes to communicating total rewards. As-

traZeneca's Murphy suggests approaching total-rewards communications as if the company is marketing a product. "If you don't communicate enough or allocate enough resources to total rewards, you won't get any traction," he says. "But if you want employees to under-

stand and be motivated to use a program to its fullest, you need to do more than that." ■

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