THE EVOLUTION OF TOTAL REWARDS

Geoffrey Gautier
Kim Gordon

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ILR CAHRS

ABOUT US

Kim

- Growing up — NEW JERSEY
- Bachelor in Engineering — Penn, University of Pennsylvania
- Data Analytics for 6 years — COMUNIDAD CONNECT, pwc, razorfish
- Cornell MILR — Cornell University, Founded A.D. 1865
- Graduation & Beyond — AMEX

- Growing up — FRANCE
- Bachelor in Finance — BYU, Marriott School
- Finance to HR in 8 years — Goldman Sachs, New York Life, World Fuel Services
- Cornell MILR — Cornell University, Founded A.D. 1865
- Graduation & Beyond — J&J

Geoffrey

AGENDA

Research Objectives

Methodology

Participating Companies

Findings

Total Rewards Framework

Opportunities

Looking Ahead

CONTEXT

RESEARCH OBJECTIVES

Employee Expectations

How have employee expectations evolved with respect to compensation structure and benefits offerings in the past two years?

Total Rewards

How have organizations adjusted their compensation and benefits strategies in the past two years and what are the drivers of those changes?

Attrition

To what extent have the effects of the Great Resignation impacted changes in Total Rewards strategies?

METHODOLOGY

28 leaders interviewed across 18 companies

9+ industries represented across the public, private, and non-profit sectors

1-200k employees per company

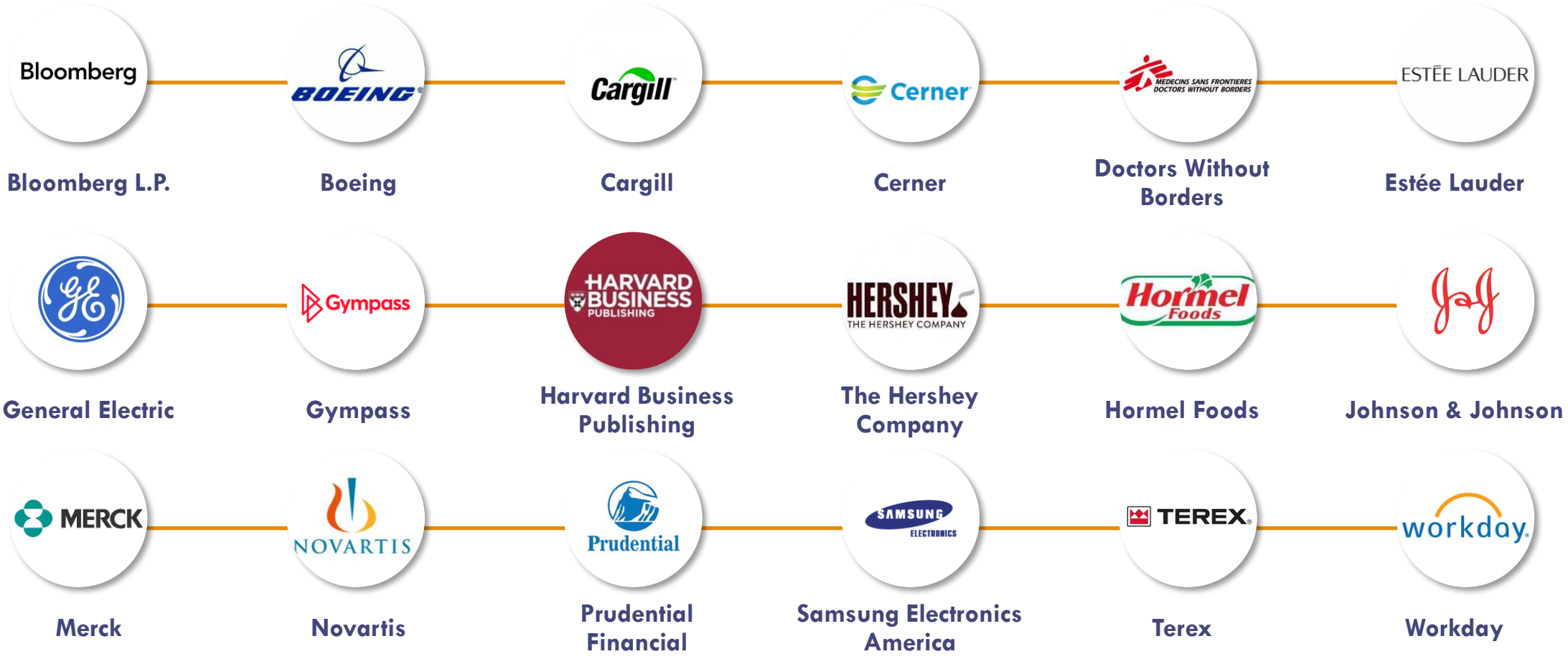
External Research

Quantitative Data

Qualitative Interviews

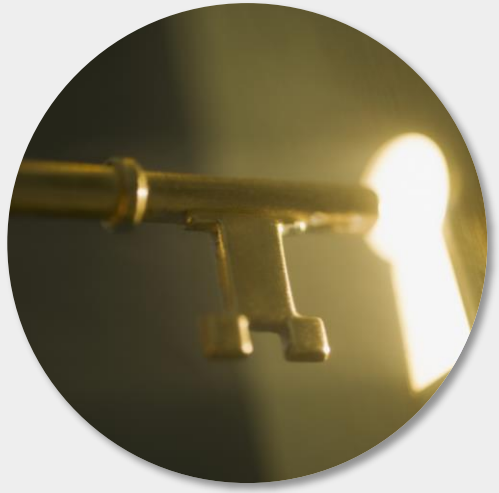
Analysis & Insights

THANK YOU TO OUR PARTICIPATING COMPANIES!



FINDINGS

KEY THEMES

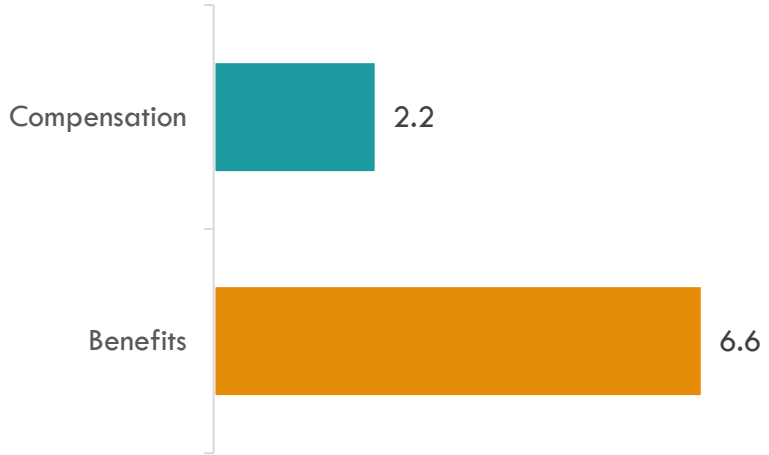


1. Total Rewards Changes
2. Communication
3. Work Flexibility
4. ESG Evolution
5. Monitoring Inflation
6. Attrition

TOTAL REWARDS CHANGES

6.6 changes reported on average to benefit offerings in the last two years compared to 2.2 changes in compensation.

Average # of Total Reward Changes

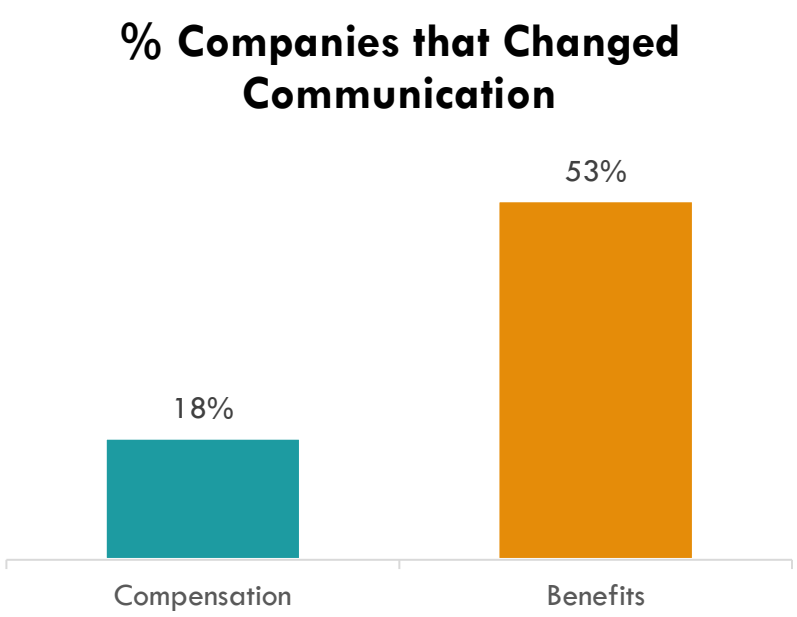


Most common changes

Compensation	Benefits
1 Short-term incentives	1 Family support
2 Long-term incentives	2 Mental health
3 Home office expenses	3 Alternative work arrangements

COMMUNICATION

82% of participating companies changed their mechanisms to track employee sentiment and this led to changes in communication.



WORK FLEXIBILITY

While most companies are operating in a hybrid model, manufacturing has remained in person. Companies are looking for new ways to be flexible.

- Maximize virtual training
- Shift swapping platforms
- Alternative schedules
- Job sharing

ESG EVOLUTION

72% of participating companies are thinking about ways to tie **Environmental, Social, and Governance (ESG) metrics** to compensation.

Key Priorities

- Aligning ESG scorecard to business strategy and operating model
- Deciding the right timeframe for goals
- Expanding *who* is impacted - from executives to employee base

MONITORING INFLATION

62% of participating companies reported that **US inflation** is a concern and might impact compensation budgets.

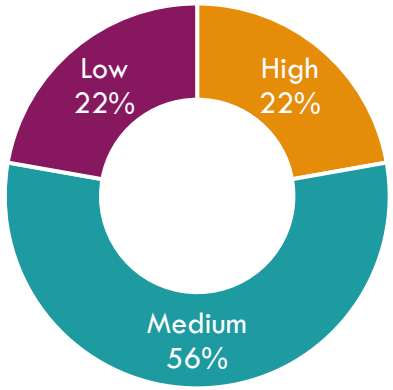
Key Challenges

- Higher impact on minimum-wage employees
- Healthcare inflation has an outsized impact on benefits budgets
- Some consider US inflation as transitory and are choosing to be conservative

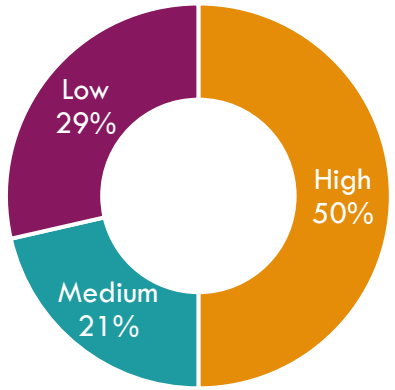
ATTRITION

71% of participating companies reported increased attrition in manufacturing and field roles.

Attrition Level in Manufacturing



Attrition Level in Field (i.e., Sales)



82% of participating companies reported attrition as a factor in evolving Total Rewards strategies.

Other Drivers

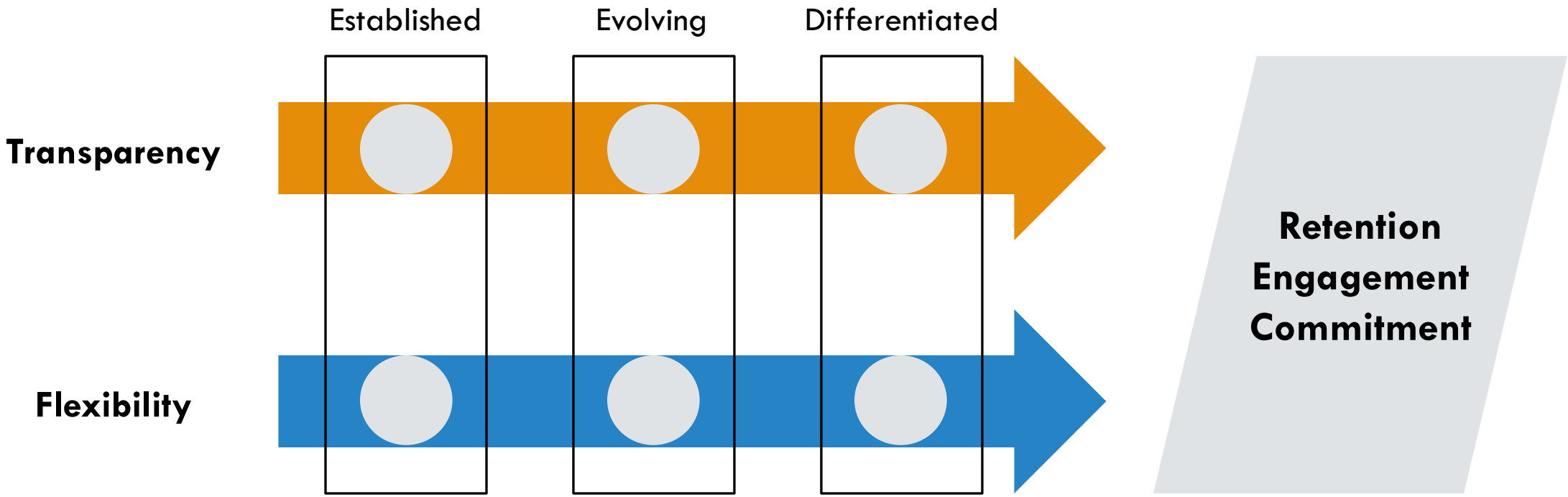
- Employee-manager relationship
- Changes in senior leadership
- Lack of career trajectory
- Importance of flexibility

Example Responses

- Benchmarking salaries and counteroffers selectively
- Investing in training
- Increasing transparency

FRAMEWORK

TOTAL REWARDS (TR) FRAMEWORK



TRANSPARENCY

Established (39%)	Evolving (39%)	Differentiated (22%)
• **Performance** review process aligned to business • Benefits **communicated** during onboarding • Consistent **TR** framework globally	• **Performance** tied to compensation metrics • **Communicating** and acting on employee sentiment surveys • **TR** value explained in summary statements	• Cascading **performance** metrics tied to org goals at all levels • Many **communication** channels to share important TR updates • Fully integrated and consolidated **TR** platform

Examples

- **Consistent ESG reporting and ties to operating model**
- **Proactive pay equity analyses**
- **Benefits concierge service**

FLEXIBILITY

Established (39%)	Evolving (50%)	Differentiated (11%)
• **Compensation** decisions based on market data • Competitive **benefits** offerings with reallocation as needed • Traditional flex **work model** with approval processes	• **Compensation** decisions based on multiple inputs • Leading **benefits** and incremental offerings as needed • Flexible hybrid/autonomous **work model**	• Proactive **compensation** decisions based on valued skills • Full customization of **benefit** offerings • Fully remote/autonomous **work model**

Examples

- **Willingness to adjust compensation for future company needs**
- **Using surveys and focus groups to inform and project benefits spend**
- **Enable leaders to provide site-specific incentives and new benefits**

OPPORTUNITIES

Integrate ESG into the business.

Changing the behavior of employees requires alignment of metrics to business strategy and individual performance.

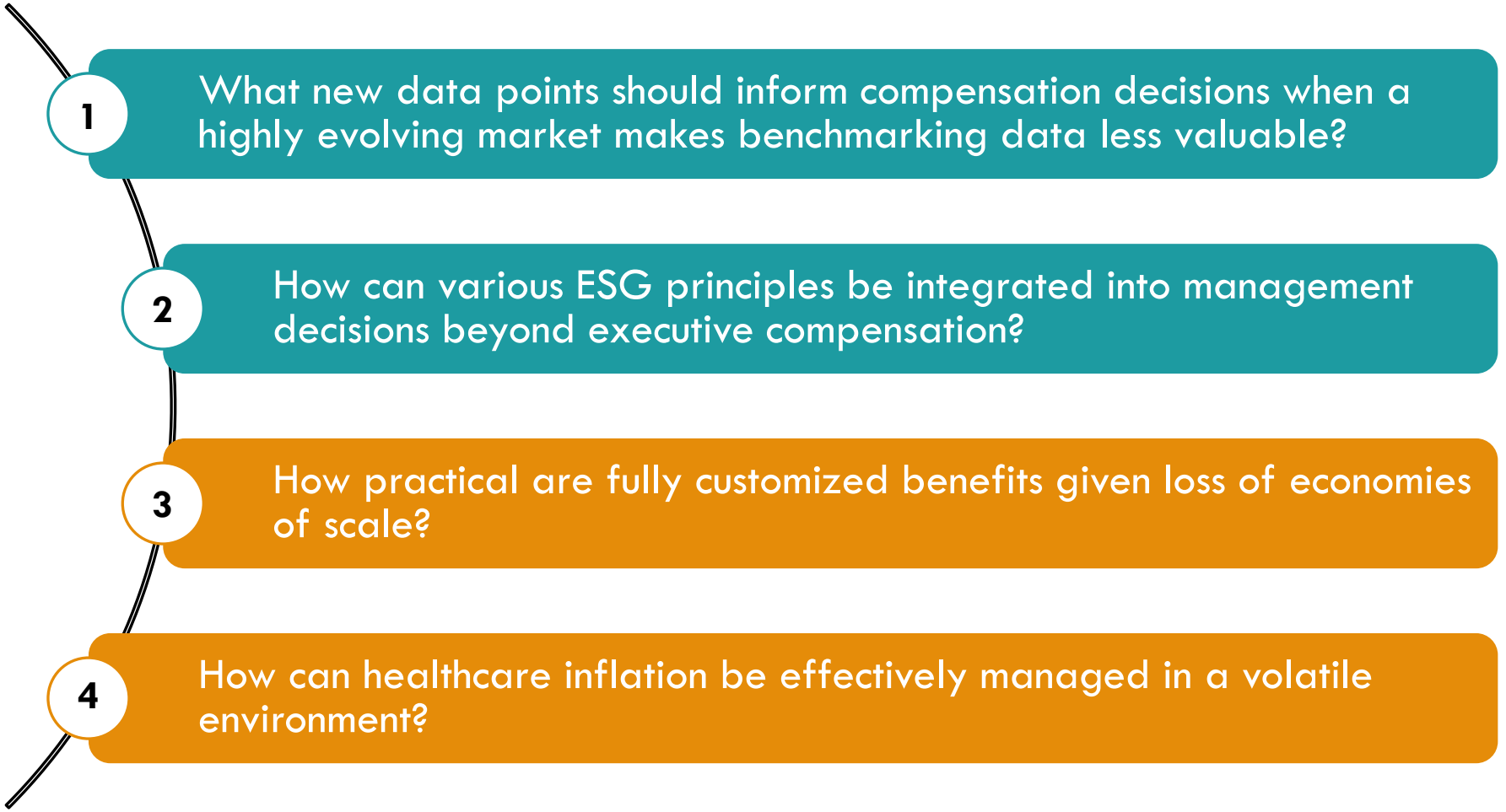
Be proactive in Total Rewards strategy.

Moving towards employee-centricity requires proactive evaluation of multiple data inputs and employee feedback.

Simplification and consistency are key.

Employers should find ways to share digestible information about Total Rewards structure and offerings consistently.

LOOKING AHEAD



Q&A