Employee Choice in a Total Rewards Framework

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Overview

• Revisiting the total rewards framework and strategic workforce planning
• Total rewards strategy and generational differences
• Current reality of employee engagement
• Perspectives on flexible benefits plans
• The future of flexible benefits—choice
• Employment value proposition
Revisiting the Total Rewards Framework

### Compensation
- Base pay
- Guaranteed “bonuses”
- Short term incentives
- Long term incentives
- Financial allowances
- Financial recognition programs
- Deferred compensation
- Other

### Benefits
- Retirement
- Savings and other wealth creation programs
- Medical / Dental / Vision / Prescription Drug, etc.
- Life insurance
- Short and long term disability
- Accident coverage
- Job-related perquisites
- Other

### Development & Career
- Performance management
- Learning and development
- Career opportunity and pathing
- Tuition reimbursement
- Mobility opportunities
- Other

### Work Lifestyle
- Time off
- Wellness programs
- Dependent care
- Workplace flexibility
- Commuter programs
- Workplace facilities and perquisites
- Experiential rewards
- Non-financial and status recognition
- Other
Revisiting the Total Rewards Framework
Integrating four perspectives—what to understand

- What are workforce needs in terms of structure, behavior, capabilities and performance?
- How should the rewards programs be designed and delivered in order to secure those workforce outcomes?
- Can the rewards programs designed to support the desired strategy be provided at an affordable and sustainable cost?
- If not, how should they be modified to be financially viable?
- What creates a compelling place to work in the eyes of employees?
- What does or should differentiate it from competing employment opportunities?
- What do employees place value on the current rewards package?
- What are the labor and related rewards environments in which the company competes?
- How do they influence or constrain rewards practices that the company may wish to adopt?
Workforce planning is an integrated and continuous process that identifies and addresses the critical gaps between current workforce resources and future needs in the context of business strategy.
Total Rewards Strategy and Generational Differences
Different generations – shifting values and expectations

- **Traditionalists**
  - Born 1928-1945
  - Age 65-82
  - ~5%
  - Values: Conformity/Loyalty, Stability, Upward mobility, Security

- **Boomer**
  - Born 1946-1964
  - Age 45-64
  - ~40%
  - Values: Personal and social expression, Idealism, Health and wellness, Material wealth

- **Generation X**
  - Born 1965-1980
  - Age 30-45
  - ~30%
  - Values: Free agency and independence, Friendship, Cynicism, Street-smarts

- **Generation Y**
  - Born 1980-2000
  - Age 10-30
  - ~25%
  - Values: Confident, Collaboration, Tech savvy, Social activism, Family centricity

Four generations with different expectations
Total Rewards Strategy and Generational Differences
What do the different generations identify as priorities?

<table>
<thead>
<tr>
<th>Reward Priorities</th>
<th>Reward Impact</th>
</tr>
</thead>
</table>
| Traditionalists | • Work/life balance  
• Retirement planning  
• Flex time  
• Job security  
• Benefits  
• Base pay  
• Flexible schedule  
• Learning/development  
| Career growth  
• Earnings potential  
• Pay for (individual) performance  
| • Work/life balance  
• Retirement planning  
• Flex time  
• Job security  
• Base pay  
• Benefits  
• Flexible schedule  
• Career potential  
• Learning/development  
| • Career potential  
• Quality of co-workers  
• Bonus  
• Base pay  
• Promotion opportunity  
• Flexible schedule  
• Learning/development  
| Baby Boomers | • Work/life balance  
• Retirement planning  
• Flex time  
• Job security  
| Pay for (individual) performance  
| • Work/life balance  
• Retirement planning  
| • Career potential  
• Promotion opportunity  
• Flexible schedule  
| • Promotion opportunity  
| Generation X | • Career growth  
• Earnings potential  
• Pay for (individual) performance  
• Healthcare  
| • Participative, casual work cultures  
| • Training challenges  
• Development opportunities  
| • Recognition/ praise  
• Reward Priorities  
• Reward Impact | Generation Y | • Career growth  
| |

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Total Rewards Strategy and Generational Differences
What is the impact?

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Benefits</th>
<th>Development &amp; Career</th>
<th>Work Lifestyle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base pay</td>
<td>Retirement</td>
<td>Performance management</td>
<td>Time off</td>
</tr>
<tr>
<td>Guaranteed &quot;bonuses&quot;</td>
<td>Savings programs</td>
<td>Learning and development</td>
<td>Wellness programs</td>
</tr>
<tr>
<td>Short-term incentives</td>
<td>Private medical/dental/vision</td>
<td>Career opportunity and pathing</td>
<td>Dependent care</td>
</tr>
<tr>
<td>Long-term incentives</td>
<td>Life</td>
<td>Tuition reimbursement</td>
<td>Workplace flexibility</td>
</tr>
<tr>
<td>Financial allowances</td>
<td>Short- and long-term disability</td>
<td>Mobility opportunities</td>
<td>Commuter programs</td>
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<tr>
<td>Financial recognition programmes</td>
<td>Accident coverage</td>
<td></td>
<td>Workplace facilities</td>
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<tr>
<td>Deferred compensation</td>
<td>Job-related perquisites</td>
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<td>Experiential rewards</td>
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<tr>
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<td>Nonfinancial and status recognition</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Traditionals</th>
<th>Baby Boomers</th>
<th>Gen X</th>
<th>Gen Y</th>
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<tbody>
<tr>
<td>Area of focus</td>
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Current Reality of Employee Engagement
They’re not happy

One in three Canadian workers is seriously considering leaving

Pay is top-ranked element of the deal, but only half are satisfied

Most are happy with their work, yet want more autonomy to do a good job

Respect for organization scores highly as a key to engagement, and sense of commitment slips

Retirement is second in importance and employees doubt their financial readiness

Most say work load is reasonable and work/life balance is possible

Most are satisfied with benefits, but they are less important in overall deal

Marks improve on career development, but fewer see long-term future with company

Most are happy with their work, yet want more autonomy to do a good job
Current Reality of Employee Engagement
How did we get here?

• An evolving employment deal that employees have viewed as a series of takeaways

<table>
<thead>
<tr>
<th>“Old” deal</th>
<th>“New” deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Career-long job security</td>
<td>• Training and development</td>
</tr>
<tr>
<td>• Regular pay increases/promotions</td>
<td>• Pay for performance</td>
</tr>
<tr>
<td>• Stable work environment</td>
<td>• Constant change, M&amp;A activity</td>
</tr>
<tr>
<td>• Work-life balance</td>
<td>• Flexible work arrangements</td>
</tr>
<tr>
<td>• Defined benefit pension plans</td>
<td>• Decreased retirement/pension predictability</td>
</tr>
</tbody>
</table>
Current Reality of Employee Engagement
How did we get here?

• Further actions taken in response to the economic downturn

  Pay freezes and smaller merit increases
  Reduced training and promotion opportunities
  Layoffs, which affected remaining employees

• The way employees see it now: Deal has been redefined, but employers aren’t delivering on new promises
Current Reality of Employee Engagement
Most valued elements of the ‘deal’ vary significantly by age—Top 5

<table>
<thead>
<tr>
<th>Age 16-24</th>
<th>Age 25-34</th>
<th>Age 35-44</th>
<th>Age 45-54</th>
<th>Age 55-64</th>
<th>Age 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Flexible work schedule</td>
<td>3. Type of work</td>
<td>3. Retirement savings</td>
<td>3. Type of work</td>
<td>3. Type of work</td>
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</table>
Perspectives on “Flexible Benefits Plans”
How much choice do you need to qualify as a “flex”??
Perspectives on Flexible Benefits Plans
Drivers of flexible benefits plans (a.k.a. choice)

- Meet employees’ needs as workforce becomes more diverse
- Maximize value of benefit spend by offering employees the choice of how benefits dollars are spent
- Differentiate from competitors
- Control escalating benefit costs—increased employee cost sharing
- Harmonize benefits across different groups, divisions, etc.
- Facilitate benefit program changes
Perspectives on “Flexible Benefits Plans”
An expanded view of flex programs (a.k.a. choice)

• Flex is a relatively mature concept in Canada
  – But it still tends to be relatively narrowly focused on traditional benefits

• Globally, plan sponsors look to flex other benefits and allowances
  – Some of which exist in Canada

• Canadian plan sponsors significantly are more concerned about
  – Benefits cost management
  – Complexities of flex administration and communication

• Tremendous opportunity exists to create additional value-add
  – Allowing employee choice in non-traditional areas
Perspectives on Flexible Benefits Plans
Meeting the objectives of employers

Canada

Strongly agree: 19%
Agree: 66%
Disagree: 3%
Strongly disagree: 0%
Don’t know/can’t measure: 12%

Agree for 85%
Perspectives on Flexible Benefits Plans
Effects of the flexible program on overall benefit cost

Canada

- 39%
- 31%
- 19%
- 9%
- 2%

Unaffected or less for 79%

- Significantly lower
- Somewhat lower
- Significantly higher
- Somewhat higher
- Largely unaffected
Perspectives on Flexible Benefits Plans
Employee response to the flex program

Canada

- 58% Strongly positive
- 14% More positive than negative
- 28% Evenly mixed between positive and negative
- 0% More negative than positive
- 0% Strongly negative

Positive for 86%
Perspectives on Flexible Benefits Plans
Some employees want more choice and will pay for it

- I would like to reduce the value of some benefits in order to increase the value of others (43%)
- I would be willing to use some of my own money to pay for improved or new benefits that are important to me (41%)
Future of Flexible Benefits
Next generation—“meaningful choice” versus “more choice”

• How?
  – By decreasing the number of options in the traditional benefit area
  – By simplifying the price/credit structure

• Too much choice is overwhelming and can lead to:
  – Decision paralysis
  – Poor choices
  – Regrets
Future of **Employee Choice**
Meaningful Choice in Benefits Plans

**Total Rewards Framework**

- **Benefits**
- **Compensation**
- **Work/Lifestyle**
- **Development/Career**

**Budget $**

**Coverage**

**Credits**

**Optional/Voluntary Coverage**

- **Savings**
  - DB-DC Retirement/RRSP
  - TFSA/RESP/RDSP

- **Personal**
  - Health Savings Account
  - Taxable/Lifestyle Account
  - Leaves/Sabbatical/Vacation

**Employer Branding**

**Behaviours**

- **Incentives**
- **Penalties**

**Payroll $**

**Bonus/Merit**

**Vacation**

**Training**

**Related Considerations**
- CRA/legislative/legal compliance
- Administration needs/capacity
- Credit allocation formulae/equity
- Reputational risk
# Employment Value Proposition

**What it is … what it is not**

<table>
<thead>
<tr>
<th>True</th>
<th>False</th>
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- Only a “look and feel” for employee communication materials
- A recruiting campaign—no matter how flashy
- A “holistic” approach where reward programs and corporate reputation and vision intersect
- A way to link external brand with the total employment experience
- A framework for communicating to the entire workforce
- A strategy for influencing employee engagement and performance
- A way to strengthen talent outcomes and build business performance
Employment Value Proposition
Lots of moving parts

Drivers:
- Personal relevance of EVP
- Rewards equity
- Communication
- Recognition
- Empowerment
- Teamwork
- Leadership

Offers:
- Material rewards
- Intangible rewards
- Career value
- Company reputation

Measures:
- Discretionary effort
- Attraction
- Internal moves
- Promotions
- Turnover
- Absenteeism

Results:
- Quality
- Productivity
- Sales growth
- Safety
- Profit
Employment Value Proposition
How far and how fast do you want to go?

Articulate the Employment Value Proposition
Integrate total value offer within new employer brand and articulate in context with all elements of employee experience – career, performance, culture, and business objectives.

Articulate the Employment Brand
Develop a total rewards framework and articulate the proposition based on existing rewards programs, aligned to a prototype employment brand. Communicate it to employees using its own visual identity.

Articulate the Total Rewards Brand
Package existing rewards programs under a total value banner: brand and visual identity only.

Articulate Programs
No linkages between rewards programs.

Traditional
Now
Forward

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Summary
And Questions …

• Providing choice to employees can help address issues related to getting and keeping the people we need

• However, we need to get past historical concerns related to providing choice (flex) to employees

• Future of choice is in being creative within the broader total rewards framework