

A BETTER WAY TO REWARD EMPLOYEES

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Building a Rewarding Place to Work

Every employer wants motivated employees. But what can today's leaders do to attract high performers who are driven and motivated by more than just money?

Take a moment to think about your own job search: If presented with two identical job offers with the same salary, what would persuade you to take one job over the other? Maybe it's an attractive company culture you can be proud of, or the opportunity to grow professionally while working remotely. Or perhaps, it's the company's unique financial tools that make the difference, like employer 401(k) matching, paid parental leave or and dependent care accounts.

Whatever it is, these other factors can significantly impact a business's ability to attract (and keep) high-performing players on their teams.

Unfortunately, many employers neglect to develop (and promote) these other reward areas – and those that do, struggle to keep up with all the ways in which COVID-19 has changed employee expectations about where, what, and why they work. But no matter what situation you're in, there is a great opportunity for employers to revisit and realign their employee rewards strategy...and achieve better outcomes.

In this guide, we aim to unpack a little-known approach to employee rewards we think can help – it's called Total Rewards. Let's dive in!



What Total Rewards Are

And Why Employers Should Care

If you haven't heard about Total Rewards before, you're not alone.

The Total Rewards Model

A "Total Rewards" package or program is an HR term used to describe the strategic blend of monetary rewards(e.g. salary, bonuses, etc.) and non-monetary rewards(e.g. healthcare, career coaching, PTO, free office snacks, etc.) a company offers its employees to attract and keep them. Unlike other reward programs, Total Rewards takes a step back to holistically look at the value a company offers its employees across the entire organization.

When adopting Total Rewards, there's no one size fits all. Every organization is wonderfully unique and you can expect that employee rewards will vary from company to company. Even so, all Total Rewards packages should include at least one reward in each of the five main categories below:



5 Key Components of Employee Rewards

1 Compensation

While money isn't everything, pay is powerful. One of the top ways we make people feel valued is to ensure they are being paid fairly for their specific role, within the industry and the market.

But in a Total Rewards system, base pay (hourly/salary) isn't the only tool in your compensation toolkit. Employers can also explore variable pay components as a tool to motivate employees to meet specific performance goals.

For example, a restaurant called Kim's Cuisine also has a small but successful catering operation that generates higher profit margins. To drive more catering business, the owner can offer the restaurant manager a 10% bonus on his salary for booking 20 catering events/year, but a 20% bonus for booking 35 catering events in the same time period.

Not all variable pay has to be performance-related. For example, a company that has growth on the horizon can establish pay incentives to maximize key hiring and retention goals, too.



Types of variable pay:

- ✓ Annual incentives
- ✓ Bonus payments
- ✓ Sales commissions
- ✓ Profit sharing

Other bonus types include:

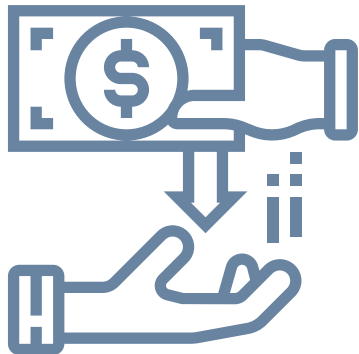


Referral bonuses for recommending a job candidate who is hired



Retention bonuses for staying at a company for a given period

5 Key Components of Employee Rewards



Don't forget about pay frequency!

Cash flow is just as important to employees as it is to your business, especially workers that live paycheck-to-paycheck. When you pay your employees weekly, not only do you increase their cash in hand, but timesheets now align with their work schedule for hourly workers, and their overtime pay gets distributed faster.

Create Your Compensation Strategy:

Step 1: Establish a pay philosophy

A compensation philosophy is simply a formal statement documenting the company's position about employee compensation. It explains the "why" behind employee pay and creates a framework for consistency.

Step 2: Evaluate the competition/market

When was the last time you benchmarked your employee salaries? How much is your competition paying? If you're an Obsidian HR client, ask us about our Payscale compensation reports.

Step 3: Set hourly and salary rates

By law, pay practices must be consistent, must not discriminate, and must not be arbitrary. Yet a pay philosophy may include different approaches for different types of employees.

Step 4: Build variable components

Think about how you can use variable pay components (incentives, bonuses, commissions etc.) to drive key performance and achieve target metrics.

Step 5: Establish pay/raise cycles

What is your practice on rate of pay increases? Annual? Twice per year? Do you tie it to performance reviews? Most companies review salaries once a year or some even less.

Step 6: Determine hiring and retention practices

Are your starting rates negotiable based on experience level? Are there stay bonuses? What happens if one of your best performers gets an offer for more money at another company? What is your practice? You don't need a policy, but you should have a philosophy and a plan.

5 Key Components of Employee Rewards

2 Health & Wellness Benefits

Taking care of your employees is one of your biggest roles as an employer. Years ago offering employer-sponsored healthcare coverage was sufficient, but health and wellness as we know it today go well beyond the healthcare minimums that are now required by law anyway.

Taking care of your employees today means supporting them physically and mentally, too. Offering wellness benefits encourages employees to take greater ownership of their health journey (and even has the potential to save you money from lowered health care costs and increased productivity).



Wellness programs come in all varieties, shapes, and sizes:

- Exercise programs & activities
- Healthy lunch and snacks
- Nutrition education
- Stress/mental health programs
- Smoking cessation programs
- Health assessments & screenings
- Flu and vaccine clinics



Wellness programs help employers by:

1. Improving healthy behaviors
2. Reducing elevated health risks
3. Lowering healthcare costs
4. Improving employee productivity
5. Decreasing absenteeism
6. Improve recruitment/retention
7. Sustaining high employee morale

Source: [Wellsteps, 2021](#)



Brainstorm Ideas for Employee Wellness:

Wellness programs don't have to be fancy, complicated, or expensive. In fact, it can be as simple as:

- Rallying a group to take a weekly walk or jog after work
- Hosting a monthly on-site yoga class
- Organizing quarterly fitness challenges with prizes to those who meet their goals
- Offering group discounts/stipends for gym memberships and alternative care like massages, acupuncture, or chiropractic care
- Removing unhealthy snacks/soda from the breakroom and replacing them with healthy options

5 Key Components of Employee Rewards

3 Financial Well-Being

Local people aren't exactly cash-rich. Even before the COVID-19 pandemic began, one survey revealed that 69% of employees were stressed about money, and 48% couldn't pay \$1,000 for unexpected expenses without relying on debt or credit. These numbers especially apply to Millennials, who now make up the majority of Colorado's workforce.

All things considered, your employees are likely dealing with some burdensome financial concerns, too. Maybe it's student loan burdens or saving enough for retirement. Or perhaps they're worried about not having enough money to cover childcare. Whatever it is, prioritizing benefits that strengthen your employees' financial wellbeing can create powerful staying power and employer loyalty.

These financial extras don't have to break your bank either. Employers actually have plenty of low-cost (and even no-cost) options at their disposal to help sweeten the deal with employees, including the examples below.

Tools to stretch their paychecks:

- ✓ Supplemental insurances
- ✓ Flexible savings accounts
- ✓ Dependent care accounts
- ✓ Commuter accounts
- ✓ Additional stipends

Tools to help them save more:



401(k)
retirement
savings



Student loan
repayment
assistance
programs

Evaluate Your Employees' Financial Needs

- What financial concerns do your employees have?
- Do you have current employees with student loan burdens?
- Do certain roles require formal education (technical or academic)
- How do you encourage your employees to save for the future?
- What percent of your employees are participating in 401K?

5 Key Components of Employee Rewards

4 Work-Life Flexibility

Burnout is sabotaging employee retention. In one survey, more than half of Americans planned to look for a new job in 2021, or quit their jobs when the pandemic is over. Of all the reasons why employees were shopping around, work-life balance made the top two. In fact, a Citrix study revealed that 88% of workers polled wanted future work that offered complete flexibility in their hours and location. But what are work-life flexibility rewards?

It can include:

- Flexible schedules
- Compressed work weeks (working 40 hrs over 4 days instead of five)
- Remote or hybrid work
- Paid time off (vacation, sick, birthday)
- Support to care for family members (parental leave)
- Community volunteerism

But it can also look like:

- No meetings during lunch hours
- Offering a casual dress code
- Having a dedicated nursing mothers rooms
- Giving retention based sabbaticals
- Allowing employees to come in (and leave) early/late to beat traffic or manage school drop offs

For Colorado employers, complete flexibility may not be realistic, especially for companies that serve customers at a physical location. But even if you face more physical or scheduling constraints than other businesses, there are still creative ways to build flexibility into the workplace without sacrificing business results.

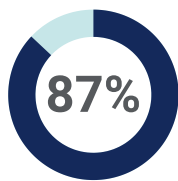
Having a shift canceled can make an employee 20% more likely to feel distressed. One study of 28,000 hourly retail workers found that predictable work schedules directly correlated with employees' levels of happiness, stress, and quality of sleep. Another study even saw median sales sharply increase by 7% when stores gave workers 2 weeks' advance scheduling notice and eliminated on-call shifts – especially ones that could be canceled with short notice.

5 Key Components of Employee Rewards

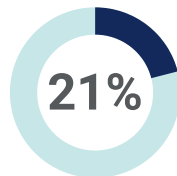
5 Growth & Development

Most high performers desire to continuously grow and develop. If you want to attract (and keep) motivated, high-quality workers, don't just give them a paycheck – offer them opportunities to learn and grow, too.

And the stats don't lie:



of millennials said the opportunity to learn and grow at work matters to them in selecting a job and in staying with an employer (Gallup)



of employees are more likely to stay with their current employer if they believe their job contributes to their development (Culture Amp)

Companies that offer comprehensive training programs have a **218%** higher income/employee than companies without a formalized training program

Offering training or mentoring opportunities not only help employees develop new skills, but it also strengthens your business capacity and capability.

Common programs include:

- Leadership coaching
- Mentoring programs
- Job shadowing
- Classroom/online training
- Paid courses/certifications
- Access to senior leaders
- Seminars/conferences

It can also look like:

- Hosting monthly lunch-and-learns led by team members
- Ask leaders to host roundtables to share best practices, or even bring in a guest speaker
- Reward/incentivize self-directed learning (YouTube tutorials, Udemy and LinkedIn Learning)

When employees feel inspired to do more and learn more, everyone wins! Progress is a motivating factor for any business. The same can be said for any person who wants to grow in their career.

Advantages of a Total Rewards Program

Let's quickly take a look at some of the biggest benefits Total Rewards offers:



Attracting top talent

Total Rewards can be a compelling recruiting tool to highlight all value you offer employees, position you as a premier employer, and seal the deal!



Retaining your team

If you effectively communicate the range of benefits you offer throughout the employee lifecycle, your team will be forced to think twice before shopping around. That's valuable staying power!



Improving productivity

A highly engaged team is a happy team. A successful rewards program can incentivize and reward employees for the right behaviors and outcomes that also make your business successful.



Here are a few helpful considerations:

- ✓ 90% of employees who have effective reward programs said their work makes a difference (Proofhub)
- ✓ However, only 14% of companies offer managers the tools they need to reward and recognize their employees (Globoforce)
- ✓ 65% of employees actually prefer non-monetary benefits (LinkedIn)
- ✓ In one study, organizations that provided non-cash rewards experienced revenue increase 3x higher than average (Smart Meetings)

The takeaway? Reward programs work. And they don't have to be spendy.

Checklist: How to Get Started

Step 1: Assess your current rewards & benefits.

Before you dive in, take a step back and look to see what your company already offers. Look at your organization holistically and identify all the ways you currently deliver value to your team.

Step 2: Find out what your employees care about.

Next, find out what matters most to your employees? Remember, you're designing this rewards program for them. Engage your team with a quick survey or poll. Their answers may surprise you and lead to creative solutions!

Step 3: Map out new and existing employee rewards.

Leveraging what you learned in this guide, organize new and existing employee rewards under the five main Total Reward categories: Compensation, Health & Wellness, Financial Wellbeing, Work-Life Flexibility and Professional Growth. Identify any gaps in your offering.

Step 4: Communicate total rewards to employees.

Think about your launch plan – What will your rollout look like? (e.g. An exciting announcement? Manager training? Also, think about what and where you talk about your company – What needs updating? (e.g. Employee handbook, careers website, glassdoor or LinkedIn page, job postings etc.)

Consider Total Reward statements.

How can you reinforce the value you deliver to employees? Many companies quantify the value of each employee's Total Rewards and present it to them in what is called a "Total Rewards Statement". Employers can share this statement during annual performance reviews, or alongside an offer letter to job candidates, making it a great attraction and retention tool!



How Obsidian HR Can Help

Everything you need from one HR partner

| Payroll | Business Insurance | Human Resources |
|--|---|---|
| Pay your team easily. We'll take care of certified payroll, benefits deductions, and tax withholdings for you. | Protect your bottom line with affordable healthcare, workers' comp, and TDI coverage, only at Obsidian HR. | Check off tedious HR and employee tasks from your to-do list. From hire to retire, we do the heavy lifting for you. |
| Worksite Safety | Labor Reporting | Risk Management |
| Keep your team safe and accident-free with live or on-demand employee safety training at no extra costs. | Easily manage labor costs with instant reporting that helps manage teams and projects on time and under budget. | Stay out of trouble with a team of experts that advocate for your needs and shield your business from the unexpected. |

At Obsidian HR, you don't just get any team. You get a team who...

- Knows Colorado businesses (and their teams) inside and out
- Helps save you thousands on rich benefits packages that attract top talent
- Ensures you're compliant with all local, state, and federal laws
- Provides free resources to keep your employees engaged and growing
- Takes care of everything HR-related so you can free up internal resources

When you choose a partner like Obsidian HR, you don't just get "human resources services" or some do-it-yourself software. You get an actual team of certified, local HR professionals at a fraction of the cost of a full-time hire who's seen it all, and walked a mile in your shoes.

[Learn More](#)



8100 East Union, Suite 106 | Denver, CO 80237
720-456-3590 | inquiry@obsidianhr.com | obsidianhr.com

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