



Total Compensation Statements

Q: I would like to give each employee a benefits/compensation statement at the end of the year, detailing the company benefits beyond salary. What items should be included? Should salary, OT, paid vacation days and uniform allowance all be included?

--- Knowing Their Worth, finance/insurance/real estate, Chicago.

A: Before you spend much time, money and effort on this issue, it is important to ask why this is important for your company. How do total compensation statements fit with your long-term human resources objectives and your employee communication strategy? What purpose would you achieve by providing these documents to employees? Is it primarily to disclose information (using them as a communication device), or are you trying to influence employee satisfaction and improve retention? Is it merely an attempt to make employees think they are earning more than just their salaries? Justifying the expense requires you to link this business process to a strategic purpose for human resources.

The answers that emerge will drive not only the nature of what you communicate, but also influence other decisions such as format, timing and distribution method. For example, the potential formats are quite varied and depend upon the message you want to send to employees. Short statements and summary data make for easy reading, and can convey a sense of total compensation to employees without the need for weighty volumes filled with flowery language that describes "what the company is doing for you." Corporate culture also affects how you get the message across. Does your organization use humor with employee communications? Do you have an overall theme for human resources initiatives that could extend to this process?

In terms of the elements or components to include, you certainly will want to identify high-investment or performance-based items as separate categories: things such as incentive pay targets or actual earnings, the value of stock grants or options, health care costs, and so on. The specifics again are driven by the outcome you desire. However, you should take a "total compensation" approach to the data. By providing employees with a complete picture of your company's investment, they begin to understand how these categories are related.

Unfortunately, many organizations issue total compensation statements and fail miserably in getting their message across. They believe that the information somehow will resonate with employees, without bothering to take the time think through all the issues. Planning the project within the context of your human resources strategy and business goals and then measuring the impact will greatly help you achieve a return on your investment.

Robert J. Fulton, CCP, CEBS, managing director, The Pathfinder's Group, Inc.

Originally published by Workforce Management on January, 2005. Workforce Management delivers the latest news, trends and tools for managing your workforce. Please go to www.Workforce.com for information and subscriber access.