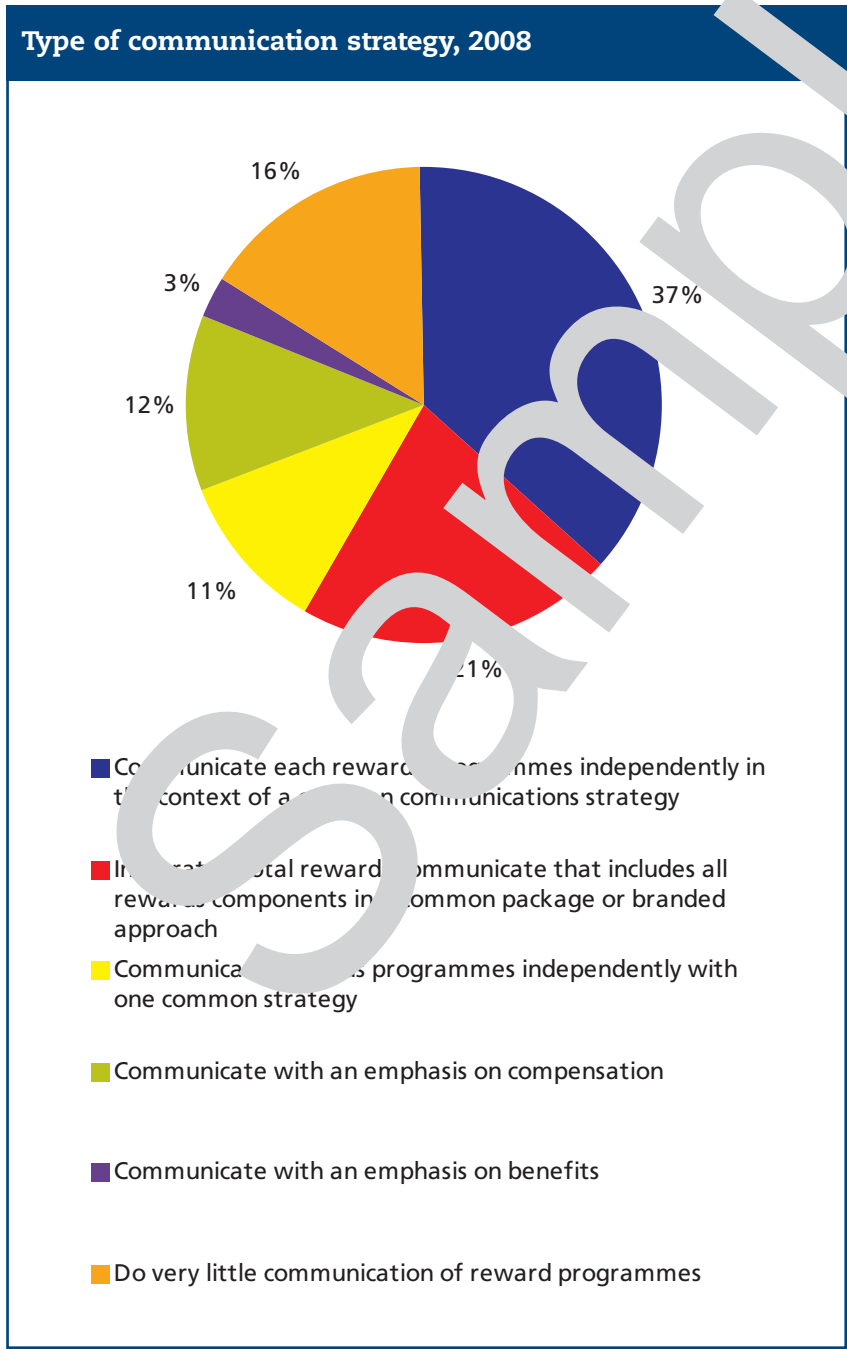


A rewards strategy designed to attract, motivate, develop and retain talent will more likely be successful if it builds on an understanding of the needs and expectations of employees. But how good are the management's insights into the "employee perspective"? We asked participants what they believed their employees valued most among the various rewards components, and what motivated and engaged their employees. In addition to this survey's findings, Mercer has separately conducted research with employees, so we could assess the alignment between employers' and employees' perspectives.

## Overview and global findings

### Communication strategy



The majority of organisations take steps to communicate rewards issues to their employees, with only 16% of organisations doing very little in this respect. Almost 6 in 10 companies (58%) have a comprehensive approach, which includes all rewards components.

Despite the relatively high level of communication, only 21% of organisations include all rewards components in a holistic, branded approach. This means that many organisations, which are communicating about rewards, may be missing out on the advantages that can be achieved by linking different rewards elements together in a coherent communication strategy.

## Engagement of senior management

Earlier in the report, we outlined our finding that the senior management's commitment to the development of a total rewards strategy is critical to its success. This leads us to consider how senior managers are engaged in rewards planning. We asked about the internal analysis that organisations completed when making strategic rewards decisions and deciding how to allocate rewards investments.

Of all participants, 58% indicated that they conducted interviews with senior executives to understand their perspectives, and 90% of those who conducted interviews found them effective in guiding decisions. In addition, 35% of participants indicated that they conducted surveys with their senior executives, and again, the majority found them effective.

Clearly, these techniques are regarded as a useful means of engaging the senior management in rewards planning, though there was evidence that participants had misgivings, as a relatively high proportion of participants rated these techniques as "moderately effective." Given the importance of engaging the senior management, this could be an area to target improvement and to gain a greater level of senior management "buy-in" to rewards planning.

## Support from line managers

We asked participants whether line managers understood and supported the total rewards strategy in their communication with employees – 45% of participants responded affirmatively. Unfortunately, this means that the majority of line managers do not, in view of the fact that participants were surveyed, understand and support the total rewards strategy. Given that line managers communicate most often with employees than any other part of an organisation, this finding is of concern and it does mean that key elements of rewards strategy are not translated into a meaningful context for employees.

## Feedback from employees

We asked participants to indicate the extent to which they researched employees' opinions and preferences. Their responses, in percentage, were as follows:

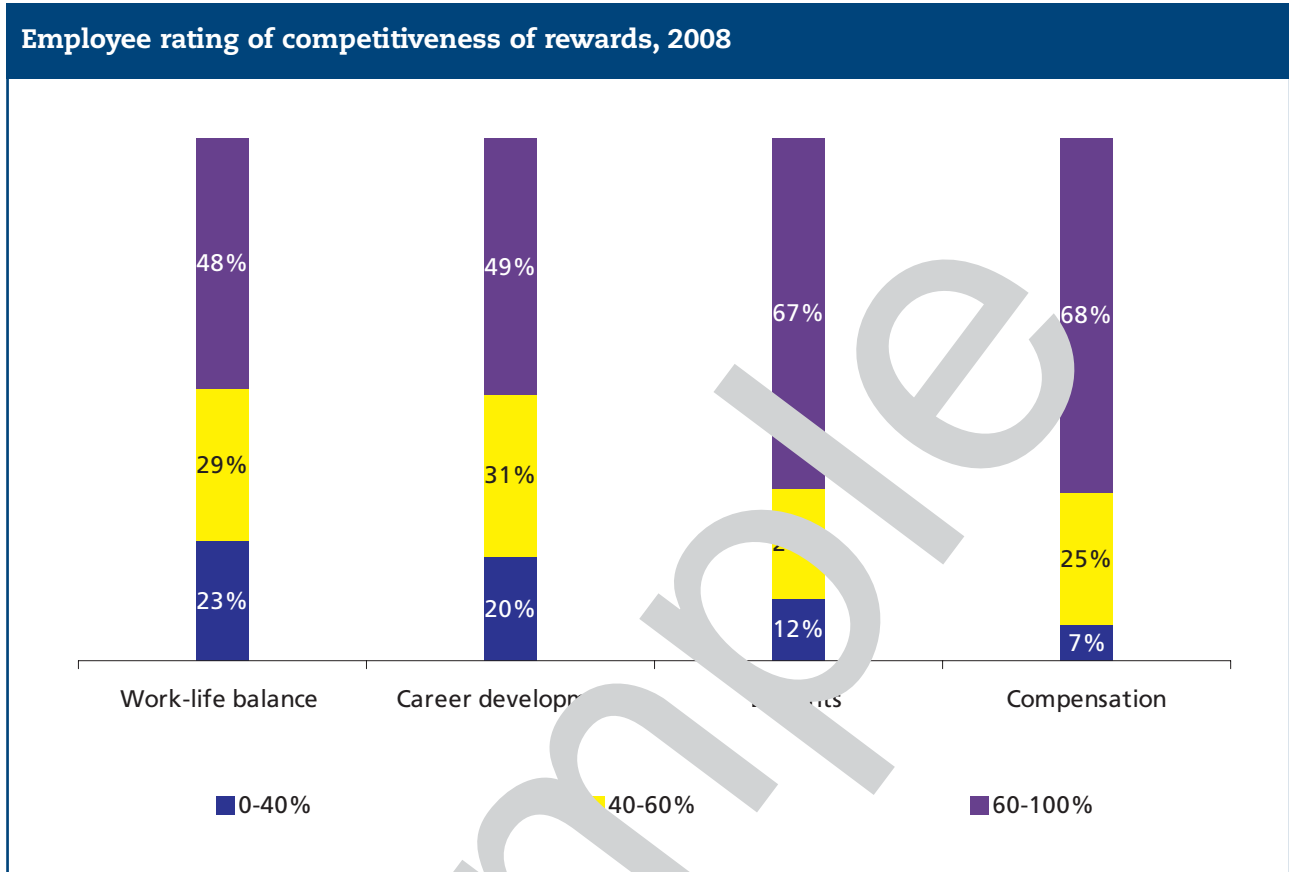
Employee surveys	45%
Employee focus groups	31%
Conjoint analysis* of employee preferences	23%

Note: \* Conjoint analysis is an advanced survey research technique to measure employees' rewards preferences.

Of these approaches, employee focus groups are considered the most successful, with 45% of participants finding them highly effective.

## Employee perception of competitiveness of rewards programmes

We asked participants what percentage of employees in their organisation would rate the various rewards elements provided as competitive.



Over two-thirds of participants believe that more than 60% of their workforce would rate their compensation (68%) and benefits (67%) as competitive. In general, participants are more confident about the competitiveness of the compensation and benefits components of their rewards provision than they are about career development and work-life balance.

It is interesting to compare these findings with results of Mercer's What's Working™ research conducted directly with employees in 22 countries. The following table shows the results of the What's Working research to four questions about total rewards issues:

Question	Percentage of employees responding favourably*
Is pay fair for performance?	47%
Satisfaction with benefits programme/package	57%
Satisfaction with work-life balance	57%
Can long-term career objectives be achieved in your organisation?	45%

Note: \* This data is taken from Mercer's What's Working research conducted among a representative sample of employees in 22 countries. The data presents the global average scores.

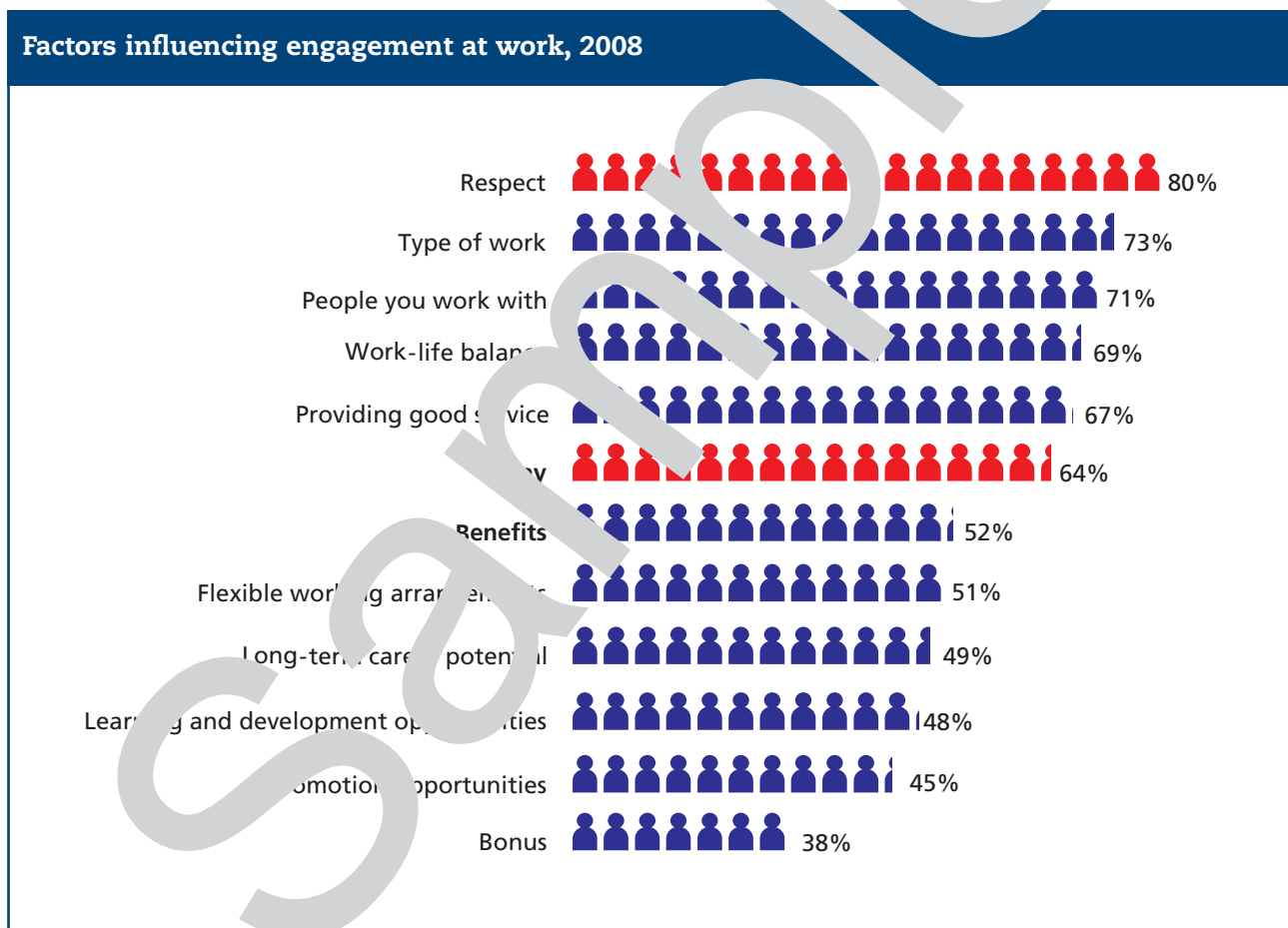
No rewards issues are shown in the above table, where more than 60% of employees gave a favourable response. Therefore, participants in Mercer's Global Total Rewards Survey were consistently more optimistic about employee views on rewards than the employees themselves. We recognise that employee satisfaction is not exactly the same as marketplace competitiveness, but comparing these findings does show the benefit of periodically assessing employees' perceptions of rewards and ensuring that their views are not misaligned with those of rewards specialists. Properly measured, employee research on rewards satisfaction can act as an early indicator of potential problems that the organisation may experience in talent motivation and retention.

## Employee engagement

As reported earlier, employee engagement is one of the key objectives in driving rewards decisions, cited by 78% of participants as “extremely important.” Therefore, it is worth considering the role of rewards in influencing employee engagement.<sup>1</sup>

Mercer consults with clients to help them improve employee engagement. In our client studies, employees’ perceptions of pay and benefits are often closely associated with their level of engagement. However, the financial components of rewards rarely emerge as the most important factor influencing engagement – as the following figure shows.

In Mercer’s What’s Working research, employees were asked: “How important are the following factors in influencing your engagement at work?”



This chart shows that globally, employees rate pay and benefits as less important to their level of engagement than work-life balance, although pay and benefits are more important than long-term career potential. The most important factor influencing engagement is, however, “being treated with respect” – a key element of an organisation’s culture and values. The type of work people perform, their colleagues and social network are also influential, as is being able to provide good service to customers.

The underlying message here reinforces the value of the total rewards approach. Employees are seeking a holistic, balanced “deal” in their employment relationship, and a failure to get the balance right affects engagement – which, in turn, has a direct impact on productivity.

<sup>1</sup> For more information on employee engagement, see the recent report: “Engaging employees to drive global business success: Insights from Mercer’s What’s Working research,” at [www.mercer.com/referencecontent.jhtml?idContent=1288115](http://www.mercer.com/referencecontent.jhtml?idContent=1288115).