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Re-imagining Total Rewards

Develop a long-term
strategy for success

People and HR Advisory

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Introduction

The COVID-19 pandemic has underscored the need for better work-life balance and greater flexibility amidst Great Resignation, economic downturns, and continuous advancements in AI. Organizations are greatly focusing on making employees lives easier, giving people a choice to live and work in the way they want, in the best way for them and their situation. These disruptions are also changing how jobs are performed and their economic value, required skills, and which jobs are being displaced. LinkedIn data shows that since 2015, skill sets for jobs have changed by around 25%. By 2027, this number is expected to double.

To attract and retain top talent, a key part of organization’s strategy is to revise total rewards strategy to reflect changes to both financial and non-financial incentives. Non-financial rewards pivot importance as organizations seek to retain talent with flexibility in a post-COVID and Gen Z workplace.

The workforce of today is looking not just for a well-paid job but also purpose, relationships, flexibility and personalized experience, along with career growth opportunities. This creates an impetus for organizations to revisit their total rewards strategy given the cultural and socio-economic choices. This means complying with changing needs and viewing employees as partners in long-term success, not just as a cost centre.

KPMG¹ research shows that following considerations for reward management will be important as we navigate into the future:

1. Adopting a more segmented approach to reward strategies, with a focus area where talent is critical to strategy and sustainability, or where the ROI is highest.
2. Using data to understand and track the diverse mix of intrinsic and extrinsic motivators across the workforce, to guide the alignment of the employee experience and total rewards to match key preferences.
3. Focusing on improving gender equity around total rewards should be a priority to help improve attraction and retention of talent.
4. Using corporate partnerships more strategically to offer benefits that help the workforce broadly deal with pressures arising from inflation and cost of living.
5. Use of longer-term meaningful rewards – not just cash focused, to driving retention and engagement of staff over longer time frames.

¹KPMG: Workforce reward: The remuneration landscape for 2023

²Korn Ferry: Managing rewards in challenging economic times, 2024

“The last ten years have been framed by a backdrop of volatility and change, from a global pandemic to surging inflation and the rise of AI. In the face of such pressures, CEOs are steadfast about the need to invest in the future. Turbulence calls for leaders to be more resilient, agile, and innovative than ever before. As we look ahead to the next ten years, CEOs who set bold strategies to adapt to our fast-changing world and invest in the right technologies and talent to make their plans a reality, can deliver sustainable, long-term growth.”

– Bill Thomas, Global Chairman & CEO
(KPMG 2024 CEO Outlook)

Korn Ferry² latest survey of nearly 3,000 HR and total rewards leaders from 130 countries revealed how they are evolving total rewards programs, benefits and cost-saving measures in 2024.

84%

of organizations are using targeted strategies to incentivize top performers, including accelerated promotions, career development, and off-cycle salary increases.

61%

of leaders say their employees do not understand the current rewards strategy, indicating a strong need for clear communication.

64%

of organizations report that short-term bonuses/incentives are expected to remain consistent or exceed last year’s amounts.


There are some key questions organizations are asking themselves


- 1 — How do we compete for talent in an increasingly competitive global marketplace (i.e., virtual/remote workforce by offering flexibility and employee choice programmes)?
- 2 — In light of the disruption to work models following the COVID-19 pandemic, how do we position our rewards programme to accommodate the varying needs of today's workforce (i.e., millennials, Gen X, Gen Z, experienced employees, gig workers)?
- 3 — Do we have the knowledge and means to design a total rewards programme that supports the lifecycle of our workforce, from recruitment to career development?
- 4 — Do we need to adjust our executive compensation, overall compensation and other benefit plans?
- 5 — Can we better manage costs, improve employee performance, boost company productivity and get a better return on our investment (ROI)?


Long-Term Incentive Plan to attract talent and achieve business objectives


Organizations around the world are confronting disruption on many fronts, from the need to digitalize and plug skills gaps to the rapid growth of new work models. In these challenging times, strategic workforce planning is critical to their survival, resilience and growth. Among the key challenges organizations face today are those associated with the design, implementation, administration, tax effectiveness and compliance of their total rewards programs.


A Long-Term Incentive Plan (LTIP) can be a great way of rewarding and retaining key team members and accomplishing business objectives. It focuses on the following six areas:


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01

Attracting Top Talent
Long-term incentive plan provide competitive packages to lure skilled professionals.
- 
02

Create a sense of ownership over work and responsibilities among staff
Employees feel more accountable and committed when they have a stake in company's success.
- 
03

Staff Retention
Promises of long-term rewards make employees less likely to jump ship.
- 
04

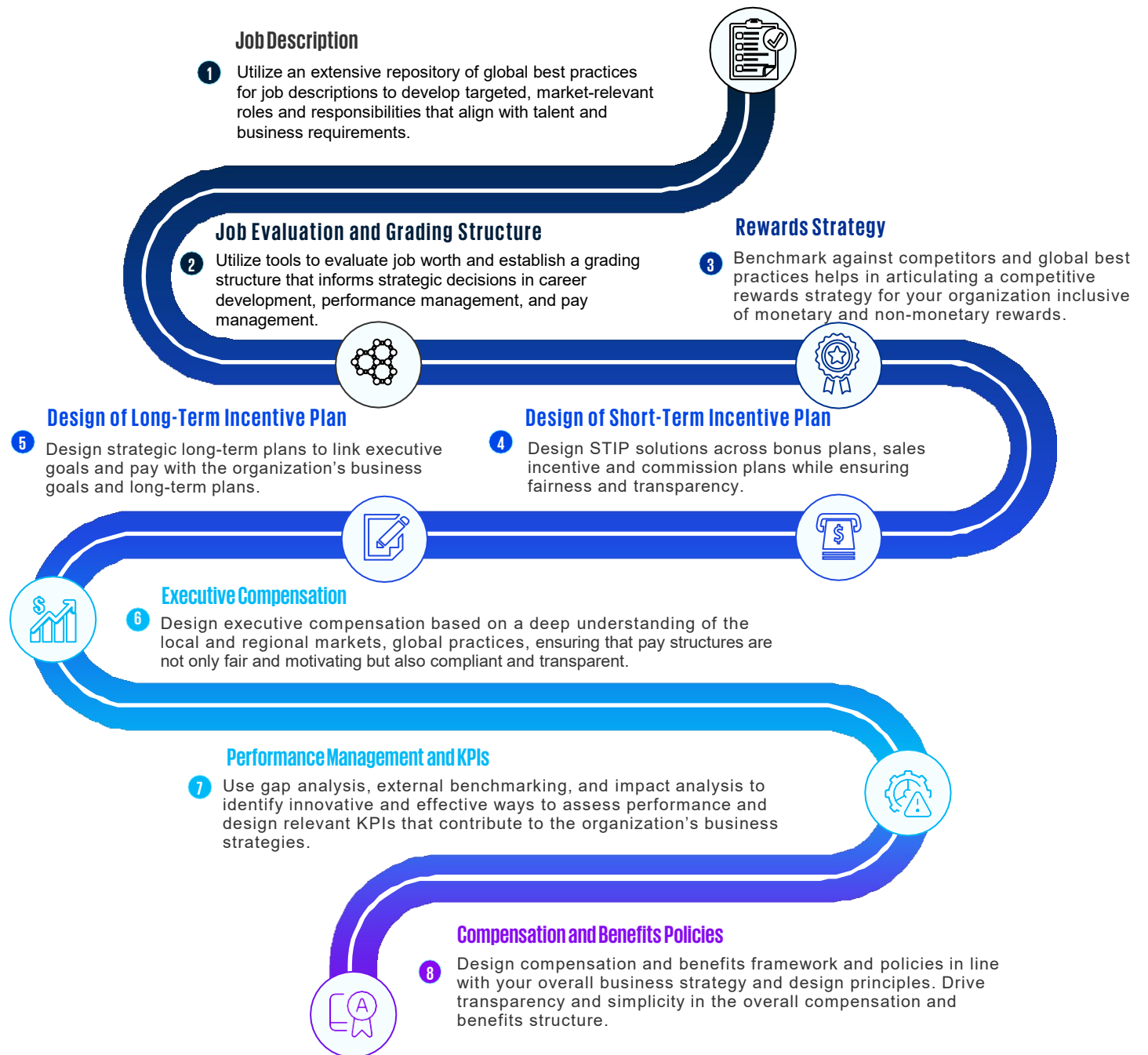
Linking compensation to company performance
Aligns employees' financial incentives with the company's success.
- 
05

Encouraging strong performance
Employees are motivated to perform well consistently.
- 
06

Recognizing and rewarding good performance
Outstanding work gets acknowledged and incentivized.

Value Proposition to Transform your Total Rewards Strategies

Historically, rewards programs focused primarily on financial compensation for employees' services. However, this perspective is evolving to meet the preferences and needs of today's diverse workforce. Following are eight areas that, if adopted, can help organizations transition from 'conventional' to 'outstanding' employers.





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