

Total Compensation Communication: Real Solution or Empty Slogan?

By Dennis Ackley

The “total compensation” bandwagon is taking off. But are too many HR professionals jumping on, unaware of its destination?

Adding “total” to create the term “total compensation” certainly makes the package sound great and much more valuable. Yet, is communicating total compensation a real solution to a business or employee relations problem? Does it help demonstrate how an organization values its people assets? Or, is total compensation an empty slogan that generates cynicism rather than clarity?

Unfortunately, more has been said to employees about total compensation than is actually known. That is often the case with strategy-free, slogan-based total compensation.

It’s easy to recognize a slogan-based total compensation communication effort. It is where HR professionals are hard pressed to answer employees’ questions, including:

- What is total compensation?
- What can I do with this extra money?
- What does “more than the sum of the parts” mean? How much more?
- How did you calculate the amounts?
- Should I compare my total compensation with the total compensation of my co-workers or with the amount paid by competitors?
- Why do single employees have lower total compensation than employees with family members?

To avoid making total compensation a slogan, every HR professional should have clear, concise, and strategy-linked answers to these and other related questions.

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Get Directions

The huge dollar amounts organizations are spending on pay, benefits, employee training, and work/life programs often surprise even senior executives. Naturally, they want to improve the return on this investment. An obvious step is simply telling employees how much the organization is spending on each of them — their total compensation.

Yet, the results of sending this simple dollars-and-cents message may not be the positive employee relations experience the leaders expected. To create a strategy-linked total compensation program, the organization’s leaders need to answer these pertinent questions carefully:

- What does the organization expect employees to do with the total compensation information?
- How will the organization show employees that total compensation supports the organization’s business and people values (employees, customers, and investors)?
- How will the success of the total compensation communication effort be measured?

In short, compensation professionals need to make sure they have helped the leaders define exactly where the program should help take the organization and how they will know when they have arrived.

Understanding Value Generates Appreciation

Apparently, there's a school of thought promoting the belief that employees automatically will gain greater appreciation when shown the dollar amounts of various benefits and perks. If that were true, price stickers on cars would be the only advertising or sales effort that's needed. Price tags on museum art would eliminate the need to teach art appreciation. In both cases, people would look at the price tags and immediately acquire a high level of appreciation.

There is certainly nothing wrong with making a big deal out of how much the organization spends on benefits, training, and other employee investments. But it is not a panacea. It does little to improve understanding and appreciation. People generally don't appreciate what they don't understand.

An Organizational Competitiveness Measure

Total compensation is a powerful tool HR professionals can use in surveying and measuring the organization's overall competitive pay and benefits level. And employees greatly underestimate the costs of their benefits and other nonpaycheck-related perks and programs. But what works on an overall basis doesn't necessarily work for individuals. Furthermore, too many total compensation communication efforts have shown employees their individual amounts without any links to the business and people strategy.

For example, a company with the people strategy of attracting younger, cash-oriented employees by offering high wages with moderate benefits could find the total compensation approach completely out of alignment with its strategy. Putting price tags on modest benefits and mixing that with wages might extinguish some of the glitter from the high-cash compensation strategy.

Price vs. Value

Another weakness of total compensation communication is that it is usually *price oriented*, not *value based*. What demonstrates more value to an employee: the \$252 the company spent last year for her disability coverage, or the fact that if she became disabled and unable to work for the rest of her life, she could receive several hundred thousand dollars in total disability benefits? The value message is much more powerful in creating understanding and appreciation than how much the company spent on an employee's behalf.

What's Wrong With an Empty Slogan?

A cute total compensation slogan that doesn't support the organization's strategy isn't benign — it may be harmful.

Employee communication is not *marketing communication*. It shouldn't be based on Madison Avenue sales techniques because employees are not customers. The "employees are customers" slogan was used a few years ago in hopes of getting managers and employees to treat one another better. But where that approach wasn't actively supported by the organization's culture, values, and actions, it was just another empty slogan.

Unlike customers, employees should be part of an organization that shares values and goals. Employees don't want the organization to sell them ideas or programs. They want to be kept informed and involved. They do not want to be presented with slick campaigns that fail to support the organization's intent or actions clearly. Communicating with employees should be based more on how teams keep members informed or how adult family members share information.

Passion and Trust Help Create a High-Performance Organization

How organizations communicate with employees plays a key role in creating a high-performance organization, a status sought by most of today's business leaders. To achieve

this goal, they are focused on finding ways to instill employees with a high level of commitment — a business term for *passion*.

There's a strong belief that employees who have passion for their work — especially employees who do cerebral work — will outperform employees who lack it. Where there is little trust, there will be little passion.

If the organization says it intends to have an honest, straightforward approach to communicating with employees, but sends out empty slogans that generate more questions than answers, it is saying one thing and doing another. Flunking the say/do test is a trustbuster. Without trust, there's no passion and no high-performance organization.

A Solution in Search of a Problem

If the organization's leaders believe a slogan-based total compensation campaign is a quick fix to the problem — the enormous investment in cash compensation, benefits, and related perks is not generating enough employee appreciation — then HR professionals must ask them:

- What would be accomplished if employees were fully aware of the cost of their total compensation?
- How would that knowledge change their behavior?
- How would it help employees do their jobs better, improve customer satisfaction, generate more shareholder value, have a stronger sense of company loyalty, and gain a better appreciation of the organization?

A strategy-based total compensation communication campaign will be based on the answers to these questions.

Before HR and compensation professionals let the leaders jump on the total compensation communication bandwagon, they should know where it is headed — otherwise, they might get splinters!

Vividly Expressing Values

These “value” explanations are more powerful and meaningful than the price tags that millions of employees receive and quickly forget. A Web site or individual statement of benefits can be used to highlight the real value of benefits, for example:

Long-Term Disability Plan Benefits

“The XYZ Company's Long-term Disability Plan ensures that if you become disabled today (as defined by the Plan) and remain so to age 65, you would receive \$892,500 from the plan and Social Security — that's \$25,500 each year.”

Traditional Pension Plan Benefits

“By continuing your XYZ Company career to age 65 — assuming your pay and the Plan remain unchanged — your estimated annual XYZ Retirement Plan benefit would be \$18,650 for as long as you live. If you receive payments for 25 years (age 65 to 90), the Plan will have paid you \$466,250 (insured to the limits protected by a U.S. government agency).”

Medical Plan Benefits

“If you were stricken with a catastrophic illness, the XYZ Medical Plan will provide up to \$5 million in benefits for covered expenses.”

This article appeared in the March 1999 issue of *American Compensation Association News*.

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Dennis Ackley is a nationally recognized leader in benefit communication and retirement education. His innovative, award-winning communication programs have reached more than three million employees on topics such as retirement planning, investing, health care, benefit choices, pay, and incentive plans. Dennis has created communication campaigns for hundreds of the country's largest employers. He has written more than four dozen articles for such publications as *HR Magazine*, *Benefits Quarterly*, *Employee Benefits News*, and *Communication World*. He is a featured speaker at scores of conferences including the International Foundation of Employee Benefit Plans, Profit Sharing/401(k) Council, the PBGC, The Conference Board, Pensions & Investments, and Benefits Management Forum and Expo.

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