
Total Reward

Preliminary Report

Introduction

This paper follows the stock-take of pay and rewards carried out by Cabinet Office and Her Majesty's Treasury officials last year. Amongst the key findings from this research was the opportunity to make wider use of a 'total reward' approach to employment in public services.

The purpose of this paper is to make the case for a more holistic approach to rewards in public services and to consider the necessary steps to implement such a strategy.

There are recruitment, retention and motivation challenges facing employers in today's public services with the drive to provide a more tailored, customer focused service along with demands for greater efficiency. By adopting a proactive 'total reward' strategy employers can not only get a greater return on their investment but they can also start to encourage new and better ways of working.

Any change to pay systems can be difficult but set out below is the key building blocks which can be put into place one at a time to gradually build a total reward strategy.

Background

The Government spends £130 billion on Public Service pay and pensions annually and a substantial amount more on other forms of employee investment such as training and development. In order to achieve its goal of improving Public Services it is vital that the Government maximises the benefits from this investment by recruiting and retaining people with the appropriate skills and by motivating the workforce.

Although pay is often the focus it is clear from the evidence that often isn't the ultimate motivator and so it is important to emphasise other aspects of the reward package, such as pensions, training and development and flexible working which motivate and improve recruitment and retention. A survey by Manpower suggested that the Public Sector is a benefits leader and that they offer better work-life benefit policies than other Sectors. A Civil Service Pensions survey last year found that only 22% of respondents considered that the pension scheme influenced recruitment, but 67% said that it influenced retention. (sample size 2,779 members)

The overall picture of job satisfaction in the Public Services is good according to the most recent data, which shows that graduates working in the Public Sector are significantly more satisfied with their jobs than similar graduates working in the Private Sector. The Public Services should capitalise on this sort of evidence and highlight the sort of benefits they offer that can't be found anywhere else.

Last year the Treasury and Cabinet Office carried out a stock take of pay and non pay rewards to get an idea of the pay and benefit approaches in the Public and Private Sector:

Its key findings were that:

- While there are many examples of successful reward schemes, there is no one size fits all solution.

- It is clear that effective performance management systems, encouraged and endorsed by leadership, are an essential tool for successful delivery and that the pay and reward system needs to support that.
- The growing trend in the Private Sector is for different approaches to be taken for different groups of staff and that this lesson seems to be just as applicable to the Public Sector. Admin costs need to be considered here, also the possible impact on different pension schemes across the Public Sector
- Little attention is paid to monitoring and evaluation of reward schemes and this needs to be rectified if lessons are to be learnt and past mistakes are to be avoided.

A further finding was that more attention needs to be given to ‘Total Reward’, using the whole range of pay and non-pay approaches to reward and motivate staff.

The Audit Commission survey makes some interesting points about the perception of the Public Services. 68% of those surveyed felt that the image of the Public Services would discourage people from taking a Public Sector job, whereas only 9% thought the opposite. Comparing this to the statistic given above that the Public Services have higher job satisfaction levels may give us an insight into causes of recruitment problems. Although it is to be expected that the Public Services receive disproportionate media attention because to an extent they must be accountable to citizens through the media, the Public Services and politicians could do a much better job of promoting a positive image. The Audit Commission survey cites the example of the Essex Social Services media initiative. They have found that ‘positive media has a significant impact on current staff, as well as promoting the organisation to the Public as a rewarding place to work’. Media relations in the Public Sector seem to be underdeveloped and should not be ignored any longer.

Definition

Total Reward can be described as all the investments an organisation makes in its workforce and everything that the employees value in working for the employer (see section 3). All employers have a total reward package, this collection of investments and benefits, – the question is whether or not they are making the most of it, and these benefits work to strengthen the organisations objectives or dilute them.

The key is to try to maximise the alignment between the investment and the employee preferences at little or no extra cost by managing rewards in a holistic way in order to achieve improved recruitment, retention and performance. Nationwide described it as *developing a compelling argument for working for an organisation*.

A Total Rewards approach can be a very powerful and constructive approach, helping to make the most out of the package on offer and the resources available.

Such schemes can offer a range of tools designed to demonstrate that staff are valued and to improve staff motivation, recruitment and retention.

The Chartered Institute for Personnel and Development (CIPD) have identified consistent themes of a Total Reward strategy.

Holistic – focuses on how orgs attract retain and motivate employees to contribute to org success using an array of financial and non financial awards.

Best fit – programmes need to be tailored to the orgs own particular culture, structure, work processes and business objectives.

Integrative – It delivers innovative rewards which are integrated with other human resource management policies and practices.

Strategic – it aligns all aspects of reward to business strategy

People centred – it begins by focusing on what employees value in the Total work environment.

Customised – It identifies a flexible mix of rewards that offers choice and is better designed to meet employee needs, their lifestyle and stage of life.

Distinctive – It uses complex and diverse sets of rewards to create a powerful and idiosyncratic employer brand that serves to differentiate the organisation from its rivals.

Evolutionary – it is a long term approach based on incremental rather than radical change.

Aims and benefits of the Total Reward Approach

Aim

A Total Reward strategy aims to support the achievement of an organisation's objectives by improving recruitment and retention, encouraging desired behaviours and achieving value for money. It aims to listen to its employees in order to develop the sort of environment that will bring out the best in its workforce.

Benefits

1. Improves workforce commitment and motivation by giving employees a deal more suited to their needs which has an improved likelihood of tapping into people's discretionary effort.
2. Aligns – and so strengthens - the messages sent from an organisation to its employees.
3. Manages costs and maximises employee investment by reducing emphasis on pay to consider other motivators.
4. Increases employee perception of their reward package, and so can lead to a reduction in recruitment costs by lowering turnover - studies have found that communicating the value of their Total Reward package increases the employees' perception of its value and satisfaction with it. Since Nationwide developed a Total Reward approach the employees' appreciation of their pay and benefits package increased from 45% to 85% and their turnover reduced from 10.25% to 7.95%.
5. Improve recruitment rates by communicating the Total value of the employment package and outlining the benefits of working for the Public Sector.
6. It is important for an employer to create a brand to differentiate itself from other employers. A Total Reward package can be a means of achieving this – in individual organisations and across public services as a whole.

Developing a Total Reward Package

To develop a total reward strategy there are some key steps which the employer should go through. All together these steps should combine to develop this strategy, each one, however, stands alone as good practice when developing, implementing or using any reward system.

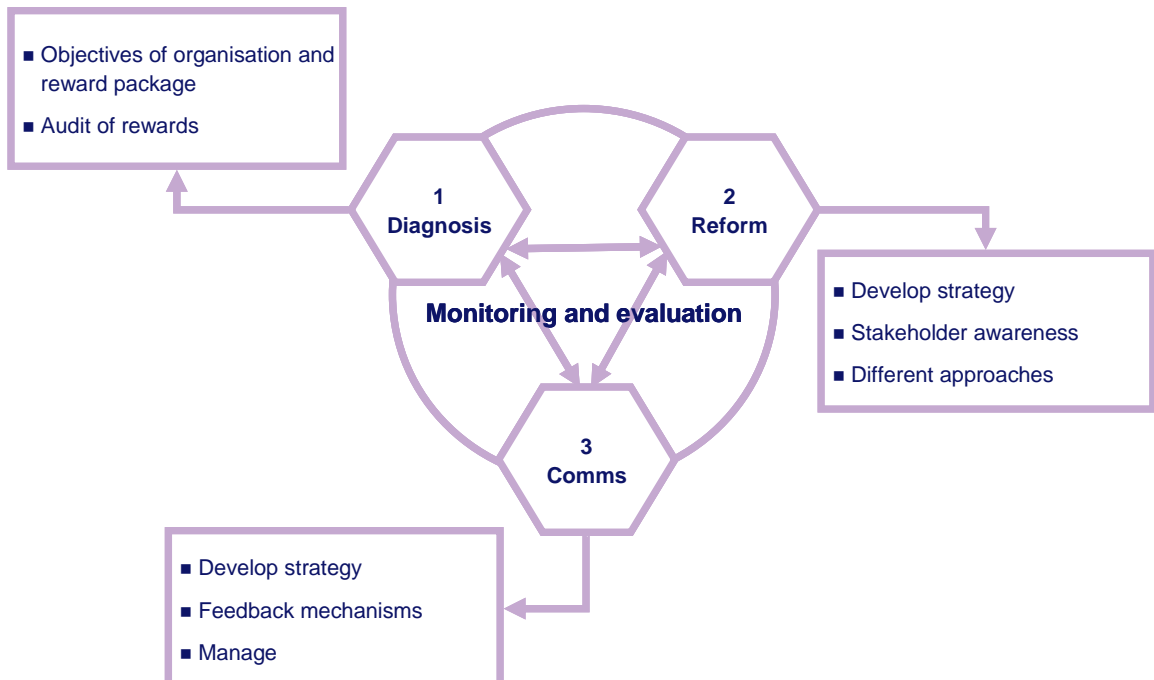
The key to meeting both business and employee needs successfully is the definition and delivery of a positive psychological contract, defining the mutual obligations, contributions and rewards for each party – Hay Group.

There is no one-size-fits-all Total Reward strategy, as organisations vary widely in size, culture and purpose, but there are general principles that are worth considering in developing and implementing a Total Reward strategy based on discussions with reward experts and the experience of organisations who have already taken this approach.

We have identified three main stages for implementing a total reward strategy. These can be summed up as diagnosis, reform and communication. These also have to be underlined by ongoing monitoring and review.

Reform

Stage 1: Diagnosis



A key element from the start is employers developing an understanding of what the Total Reward package is in the organisation, what it is that employees value about working there. It might also be possible at this stage to identify different values attached to the package by different parts of the workforce - either due to their different roles or stage in their career, age etc.

1. Start with the objectives of the organisation and of the reward strategy.

- Set up a stakeholder meeting to develop an understanding of the views relevant stakeholders.
- Assess the relationship between the different strategies – Business, workforce and reward. Are they aligned? Does the reward strategy support HR management policies and practices?
- Work out what your reward philosophy is. What are you trying to do with reward? What kind of organization are you trying to develop?

2. Reward audit

- Map the rewards you offer (see the table below of one example how you might categorise benefits). In which areas is there over compensation and in which under compensation? Is there a policy in place for each of these areas?
- In order to demonstrate the investment in its employees it is important for the employer to quantify the cost of employment, both Total remuneration and all the associated costs of employing someone.
- Conduct comparisons with other comparator organizations

Total Reward Map

There are various models which try to categorise these different aspects of Total Reward and demonstrate them in a coherent package. The following table attempts to synthesis these drawing out the key features of each model.

Pay

- Consolidated
- Non consolidated

Benefits

- Pensions
- Holidays
- Perks

Individual growth

- Training
- On the job learning/coaching
- Performance management
- Career development
- Succession planning
- Employee involvement
- Coaching
- Learning and development

Quality of work

- Perception of the value of work
- Challenge/interest
- Opportunities for achievement
- Freedom and autonomy
- Workload
- Quality of work relationship

Organisational culture

- Organisational values and behaviours
- Quality of leadership
- Risk sharing
- Recognition
- Communication
- Organisational style
- Involvement
- Vision and values
- Organisational success

Non financial recognition

- Pat on the back
- Vouchers
- Fairness of reward
- Celebration
- Acknowledgement
- Appreciation

Positive work environment

- People focus
- Job content
- Autonomy
- Reputation of organisation
- Open communications
- Trust and commitment
- Physical environment/tools and
- Equipment
- Safety/personal security
- Information and processes
- Time off for voluntary contribution
- Involvement
- Colleagues

Work-life balance

- Recognition of life cycle needs/flexibility
- Home working
- Security of income
- Supportive environment
- Convenience services
- Social support, e.g. childcare

3. Find out what your employees think

- It is important that employers make as few assumptions as possible about what contributes to recruitment, retention and motivation. Organisations need to understand what their employees value in order to feel motivated and engaged. Often the interventions that managers think would make a difference are not the interventions that would make the most difference. There are various ways of doing this:
 - Staff surveys
 - Focus groups

- Exit interviews – a good way of understanding what isn't working for the organisation and what may need to change
- Assess employee perceptions of the reward package. Are they happy with the current package? What differences would they like to see? This needs to be handled carefully so as not to raise expectations.
- Reassess the 'rewards map' – what is working? Where is the slack etc? What should be the priorities?
- Is it possible to classify of employees into different groups who look for different rewards? This may be difficult if the surveys were anonymous

Stage 2: Design reward strategy

Implementation

The next stage is to consider how to then use the new levers that this information suggests to improve the overall reward package and ultimately satisfaction and motivation.

1. Develop Total Reward strategy based on diagnostic stage

- **Aims** Identify the aims of the rewards strategy and other areas with which this should be aligned, e.g. organisational objectives, leadership, performance management. For the reward scheme to be effective it is vital that the organisation has clear and agreed objectives, related to business and employee needs.
- Ensure that the rationale and objectives of the reward strategy are understood and agreed.
- **Gaps** Determine where you want to be and the gaps in the reward strategy in order to achieve this goal. Where are they against each component in the Total Rewards map? Where would they like to be and how do they propose to get there? It is not vital to be competitive in each segment of the reward map, only in the segments that are most important to those people who you want to recruit, retain and motivate. Set out priorities and a timetable for meeting them.
- **Determine success criteria** It is vitally important that there is a clear set of success criteria which it is hoped that the Total Reward strategy will achieve, e.g. improve retention, reduce focus on pay etc. Need to have base data – where are we starting from? Also clear measures to establish whether these criteria have been met and some means of collating that information to inform further developments
- **Keep it simple** Simplicity is the key to success. If people don't understand the reward system it won't have the desired effect.
- **Try to foresee all consequences of change** Incentive structures can be very complex. Explore all possible effects of change on satisfaction and motivation in the design stage.
- **Integration of reward into HR processes** Reward, along with competencies, job design and career progression should form part of a coherent management of the workforce.
- **Evidence** It's important for market evidence to influence the reward strategy and this is more than just a narrow focus on pay.

- **Valuing everyone** Focussing a reward system around the top performers is likely to alienate everyone else who is performing satisfactorily. It should try to reward improvements in performance among the majority, rather than simply excellence among the minority.
- **Pay** It is essential to get base pay right for Total Reward to be effective, but if the Public Sector only focuses on pay it could destroy the other motives for working there.
- **Do not ignore rewards whose cost is hard to measure** There is a tendency to do this. Just because some rewards are relatively intangible does not mean they are unimportant:
 - **Fairness and transparency**
 - **Avoid the ‘quick fix’** This is a subject on which almost all Human

Resources Management experts agree. Change which is badly thought out, rushed and badly implemented is bound to fail. There is a danger that some will hijack Total Reward and turn it into just another gimmick. However, the whole idea of Total Reward is contrary to the ‘quick fix’ mentality. As we have set out above, a Total Reward scheme acknowledges the multiplicity of rewards and motivators and therefore admits the complexity of Human Resource Management.

A recent CIPD survey report puts forward this view well:

In reward we have many approaches, but this doesn't seem to be good enough. There is always a desire for novelty. It helps create a cycle of over-hyped expectations followed by problematic change and disillusionment as has been evident in the use of initiatives such as performance pay and broadbanding. The reason why many reward changes have failed in the past is either they were inappropriate for the organisation or they were implemented ineffectively.

Suggest that we build on what we have to start with – promote awareness, and then introduce new measures phased over a period of time to give the chance of evaluation before moving on. If everything is done at once it will be more difficult to see what is working and what isn't – it may be the cheapest and easiest measure that is the most effective!

2. Stakeholder awareness and buy in

- **Promoting awareness among both HR and managers of rationale behind reward strategy** Build understanding, support and commitment of staff and a management in the reward strategy and its components. For a reward strategy to be successfully pursued, those in charge of implementing it, both HR and managers, must be familiar both with how it should work and the rationale behind it. Those who know the purpose and logic of the strategy are more likely to pursue it effectively. Strategies which are simply dictated to management are unlikely to be successful as managers need to work *in the spirit* of strategies, not just to the letter.
- **Capability** Are staff able to design, deliver and maintain the system? Are staff able to understand it and do they buy into it? Develop the capability of the organisation in terms of formal systems and procedures to administer the scheme. Provide performance measures and systems for monitoring results. Does the Centre intend to take a central role in overseeing effectiveness of introducing these measures?

A briefing pack could be developed for managers with Q&As, along with a short briefing session.

Financial education is important. Those who worry about money are less satisfied with pay. It is also important for employees to understand the value of their pension.

3. Develop different approaches to rewards

- **Flexible benefits** The benefits elements of the Total Reward map is where the Public Sector has a comparative advantage and where there is still room for flexibility. Flexibility is an important issue – it is about increasing the perceived value of the reward. Different employees look for different benefits at different stages of their career so it is important to tailor the package to meet these different needs. Employees are the best judges of their preferred reward mix and so choice and flexibility should be used where there are no good reasons why they should not be. Salary sacrifice is a common way to enable flexibility within the system, e.g. some organisations have systems enabling employees to buy or sell annual leave. Employers are also different and may need a range of different benefit options to use according to organisational and business need.
- **Non cash rewards** Encourage managers to come up with innovative ways to reward staff. Find a way of feeding these back to capture good practice and share with other organisations.

Key elements of the Total Reward Strategy

The following lists a number of key elements of any Total Reward package. The list is not exhaustive, but contains most of the key elements derived from the literature of surveys on the subject with special emphasis on Public Service studies. We take each one in turn and consider the possibilities of promoting them in the workplace.

Points 1 – 9 show properties which contribute to job satisfaction and therefore help recruitment and retention. Although job satisfaction is a necessary background for motivation, there are not clear causal links between these rewards and work effort levels. Points 10 – 14 show the factors which motivate employees to work harder.

While it is imperative that employers base their reward strategies on dialogue with staff, existing surveys can help give ideas about the key areas. For this reason, a small amount of supporting material is quoted below. An interesting summary of the job properties which are most important to Public Sector workers is given in the conclusion of Steven McIntosh's report in his analysis of the Graduate Cohort Data:

The main sources of satisfaction [of the younger group surveyed] seem to be the actual work that Public Sector workers do, and the job security that the Public Sector affords. The key reason why Public Sector workers took their jobs in the first place was that they wanted to do the work involved, with the implication that as long as the opportunity to pursue such work is available, other aspects of the job, including pay levels, may have less influence on job satisfaction.

1. Pay and pension package

As pay is the most comparable of job properties, large differences in the Private and Public Sectors between jobs which require similar skills are likely to cause recruitment and retention difficulties - 69% of respondents to a recent workplace survey by Mercer Consulting claimed that base pay was very important to commitment, while 38% of respondents to the Audit Commission recruitment and retention survey answered that poor pay was the reason they left.

In both surveys quoted above, pay was no higher than fifth on the list of important job properties. Pensions are generally viewed as the most important.

While there may be more scope for (informed) choice within the Public Service pension schemes, the benefits of being underwritten by the government are considerable and should be explicitly

communicated to current and potential employees. Part of overall pensions communication strategy now being implemented, but it will help if the message is enforced via other routes as well – one of the hurdles to overcome is HR personnel viewing pensions as a separate entity, not an integral part of the total reward package.

Providing a global value for the pension element of the TRP is tricky. Any £ statement needs to be hedged with so many caveats that it undermines the benefit of including it! It is easier to deal with individual-specific information on a benefit statement.

It is important for organisations to keep under review the type of pay system they use – performance related pay, team bonuses etc. The recent research by CO and HMT found:

- There is no ‘one size fits all’ solution for pay and reward systems and that the details of the design and of the implementation in the specific circumstances are crucial elements.
- Effective management systems are an essential tool for delivery and the pay and reward system needs to support that.
- There is a growing trend in the private sector for different approaches to be taken for different groups of staff. This is just as applicable to the public sector.
- Half of public spending is accounted for by pay, but little attention is paid to monitoring and evaluation. This needs to be rectified if lessons are to be learnt and past expensive mistakes avoided.

Under certain circumstances, performance pay may boost performance. There has been a widely reported take-up of performance related pay in both the Private and Public Sectors. While the principle of performance pay has reasonable support, there have been many unforeseen problems. These are caused by the multiple objectives of workers, performance measurement difficulties, incentives to be uncooperative and effects on existing incentive structures.

2. Voluntary benefits

The size of the Public Services gives them significant buying power, which can be used to purchase discounted products for their staff. A coordinated approach between the Public Services could deliver both value-for-money and choice. This may be an area for marginal gains in job satisfaction (although there may be gains on top of the financial ones for the employees – they may feel that their employer is acting in their best interests), but they come at very little cost. Again, where there is choice, information should be made available. When such benefits were introduced in Surrey CC, although take up was initially slow, appreciation of the option was high.

Examples of such benefits can be:

- The employer could negotiate discounted vouchers for high street stores so that employees could by £10 worth of vouchers for £9.
- Discounted dentists
- Etc...
- These schemes need to be closely targeted to offer good value on benefits or products that staff want and they have to be marketed effectively. Do we have a problem with the man on the Clapham Omnibus for schemes of this type?!

3. Quality and quantity of work

Quality of work encompasses a broad range of job properties including interest, challenge, autonomy and responsibility. 10% of respondents to the Audit Commission Survey felt that ‘interesting work’ was the main reason they entered the Public Services and ‘enjoyed the subject’ was the main reason for a further 5%. Steve McIntosh’s report finds that ‘offering interesting work’ was the third most popular reason for joining the Public Sector by graduates (50.9%).

The Workplace Employee Relations Survey (WERS) found that job influence was very important to job satisfaction: ‘those with a lot of job influence were five times more likely to be satisfied with their job than those with no job influence’. Delegation is cited as a major motivator in the report Making a Difference: (Motivating People to Improve Performance).

Meanwhile, excess ‘bureaucracy and paperwork’ was given as a reason for leaving by a huge 78% of respondents to the Audit Commission survey, making it the most popular reason given. [TRP success depends on many factors – links here to programmes to improve efficiency in systems and processes.]

Employers should consider the processes required to ensure sufficient responsibility and variety in jobs and minimising the time spent on ‘bureaucratic tasks. This can not only increase job satisfaction but also the quality of the service delivered and so customer satisfaction.

Social value is a strong motivator in the Public Sector. The Audit Commission survey found that 42% of the respondents entered Public Sector work to ‘make a positive difference’ and 39% entered to work with people. These were the two most popular reasons given. However, for jobs which are not on the front-line, this might not naturally be such a motivator, good management can combat this. By making sure that staff realise their value to the organisation and what important work the organisation does, it is more likely that all staff who care about the goals of the organisation will be more motivated.

4. Public Service ethos and perception of work

Important parts of the Public Service ethos are job security, social justice, equity, community responsibility and democratic accountability. Reforms which threaten any of these should be considered with care, although some parts of the ethos may have undesirable consequences (e.g. job security, see below).

While survey figures show an unclear position¹, it is obvious that job security matters. The Public Sector, through coordination between human resource groups, can provide good job security for all who perform adequately.

5. Work/life balance

Increasing employee choice as to when and how much they work will improve job satisfaction. A system of tradable holidays could work by giving employees a certain allowance of holiday and then permitting them to buy or sell some days. Obviously this must be limited by business plans and

¹ There is some disparity in the survey evidence as to how important job security is. Faced with the same question about why the job was taken, 8% of respondents to the Audit Commission survey gave job security as a reason. The equivalent figure given by Steve McIntosh was 45%. This figure was higher than its equivalent for the Private Sector.

fluctuations in the annual level of work. Effects on productivity must also be considered (e.g. one would expect there to be a minimum amount of holiday required to prevent burn-out).

The Cabinet Office recognises the importance of work/life balance:

At senior levels and in specialist posts, evidence suggests that offering flexibility gives a competitive edge to our recruitment. At junior levels, offering flexibility supports our ability to retain experienced staff.

Implementing greater workforce flexibility can be a win-win for both service improvement and employees, allowing more responsive, tailored customer services while improving work life balance. (link to Work Foundation work with IR).

6. Physical work environment

As with other areas, consulting employees about their work environment (and making clear the trade-offs with other parts of their reward package) would be sensible. Creating an atmosphere of openness can boost teamwork through increased contact between staff and through peer effects.

7. Learning and development

Promoting training in the workplace has two benefits. Firstly, it may boost employee performance. The extent to which training is used for this reason must be determined by expected productivity gains.

Good learning and development schemes generally increase job satisfaction. Concerns about any retention difficulties caused by the increased employability of staff should be minor compared to the retention difficulties caused by preventing staff from developing in their chosen directions.

Providing high-quality in-house training or organising training vouchers for elsewhere are options currently used. The importance of training is reflected in the Mercer survey: 50% felt that learning and development were very important for commitment and motivation. Reassuringly, the same survey found that 70% of Public Sector respondents 'report that they have good opportunities for continuous learning to improve their skills', compared to an average of 60%.

8. Career progression and under performance

The belief that current performance is linked to future reward can give strong incentives.

In order to promote the conditions for this kind of motivation, it is essential that there are promotion opportunities and current performance is linked to and perceived to be linked to, future job prospects. The Public Sector, as a large employer, has a significant advantage here. There is great scope for internal promotion and sharing of reference and appraisal information about employees. However, given that promotion is constrained by the structure of organisations, these incentives will apply more to the more ambitious and higher ability workers.

Equally, it is important to make sure under-performance is not tolerated. Although a combination of factors should counter this, it is an important incentive for potentially under-performing workers to believe that lack of effort will result in lack of job. Whilst there may be some legal impediments to

this, hiring on relatively short fixed-term contracts should make it easier. Although one might expect this to adversely affect the reward package, the WER Survey suggests that it is job reductions rather than dismissal which reduces job security because reductions are seen as more random.

Unfortunately, statistics do not differentiate between the two reasons for motivation through career progression, but there are some which account for both effects. According to the Audit Commission survey, no more than 35% left the Public Sector for career reasons, whilst 52% stated that long-term career potential as important to motivation.

9. Performance management

Performance management should be an ongoing process by which objectives are set and feedback is received. As the process is mainly one of information exchange, instead of creating incentives itself, performance management strengthens those elsewhere, especially if there is a strong and visible link between the performance management system and the other motivator. So if employees have altruistic aims, a manager who points out where they are going wrong (and how this detracts from their ability to serve society) is likely to give them motivation to improve their performance in order to pursue their altruistic goals. Similarly, if performance management affects the chances of the sack, employees who potentially under-perform may reconsider their level of effort.

The Bichard Report offers a thorough policy guide on this issue. Its key messages could well be applied elsewhere in the Public Services. The following is an adapted summary:

- Performance management must be framed by business strategy. The objectives set for each individual employee must be derived from the aims of the business as a whole. The process of objective setting must be two-way: worker and manager must agree on objectives and workers must have input into the process.
- There should be ownership and accountability of all targets. Responsibility for each target should be assigned to an individual or a group.
- Rigorous performance review involves feedback from all stakeholders (for managers this would include those whom they manage). These appraisals should consider performance against targets, taking into account any 'noise'. They should be regular.
- The consequences of the appraisal should be made clear (see above).
- Those appraising should be well trained and accountable to ensure fairness. Any box marking systems with strong consequences (e.g. performance related pay (see below)) should be used carefully. Evidence on such systems in operation suggests either tendencies to limit the differentiation between workers (which defeats the object of the exercise – rewarding those who perform well) or suspicion among those appraised that the system is unfair and managers show favouritism.

'Not being valued by managers' was given by 49% of Audit Commission respondents as a reason for leaving. For the Mercer survey, 'being treated with respect' was perceived as by far and away the most important driver of commitment and motivation at 85%, whilst 'people you work with' was cited by 71%.

10. Non-cash recognition

Non-cash recognition can be an effective way of rewarding good performance which has few, if any, of the drawbacks of performance pay. Much can be gained by simply thanking people for their hard work, as it is important for many employees to feel valued and have their hard work recognised. Also, an atmosphere in which employees recognize what their fellow workers do can promote peer effects which discourage free riding and encourage hard work (given good management).

More organised forms of recognition can also be useful. Ideas include employee of the week/year schemes which may be democratic and recognition with vouchers or tickets. Apart from the data we have on the importance of treating employees with respect (see above), there is little evidence on this subject, although it is interesting to note that Inland Revenue staff, when surveyed by the Makinson Report claimed that 'personal acknowledgement and encouragement from managers would be far more motivational' than PRP.

Stage 3: Develop a communications strategy

Communication

A key part of this approach to rewards is ensuring that the entire package, even without reform, is communicated to employees. Research suggests that once organisations just communicate the value of their Total Reward package it increases employees' perception of the value of their rewards.

Psychological contract

It is important to be able articulate what the Public Service is, what is expected of a Public Service employee and what they can expect in return. Leaders, including ministers, need to understand what they want the culture to be. Are we thinking about the culture we want employees to work in and expressing this to them? Do people come to work for the Public Services for money or are they looking for other less tangible benefits such as stimulating work and the ability to make a positive difference to other people's lives? Maybe it is worth spelling out to people that if they are looking for the best pay then the Public Service is not for them. If the Public Sector doesn't tap into discretionary effort it could cost a fortune. We need to be able to express why a nurse should work for the Public Service when she could earn much more working privately and ask where in the Private Sector you can find a job as rewarding as working in an inner city school.

Articulating the package

Having an attractive Total Reward package is no use if no one in the labour market knows about it and current employees don't know enough about it to make full use of it. Communicating the reward to potential employees and current employees is essential if the full gains of a Total Reward strategy are to be exploited. One practitioner said that more time should be spent on communication than any other element of the reward strategy. It is important to communicate from an employee's perspective and keep doing it. Communicating the change to reward is very important. It is possible for mediocre schemes to succeed if communicated well and good schemes to fail if communicated badly.

Consider other messages that are being sent – leadership, performance management etc. and ensure that they are all aligned.

Modes of communication

There are various ways of communicating the Total Reward package to current employees:

- The Total Reward package could be set out with the terms and conditions as part of a contract when an employee joins.
- A benefits book as part of the recruitment literature, highlighting learning and development opportunities, the value of managerial support and day to day on the job training.
- Annual/monthly Total Reward statement – detailing all the benefits as well as Total remuneration.
- A Total Reward section on the organisation’s intranet site with a personal benefits breakdown and Total Rewards events calendar with new initiative throughout the year (on disk if no website)

It is important to keep people informed of their package and so they are fully aware of what they would lose if they left the organisation.

It is also important to effectively market the Total Reward package externally through advertising campaigns and graduate fairs etc.

Monitoring and review

One of the key findings from the stock take on pay and non pay rewards was that little attention is paid to monitoring and evaluation of reward schemes. The reward strategist as part of their HR partner role should be continually assessing how the reward strategy is supporting the business. Just as importantly, there should be a constant feedback mechanism so that the effects of any changes in the reward strategy can be measured (and further steps may be taken on this basis).

There are several ways in which to monitor and evaluate a strategy

- Monitoring staff turnover and applications volume
- Exit interviews
- Employee led focus groups - do people understand the package?
- Feedback/Staff surveys
- Measure satisfaction, do people use it? Do people value it?
- Are line managers saying its working?
- High frequency ‘pulse’ surveys with questions that get at the employees engagement in order to produce engagement /retention scores. Overall are people saying good things about the organisation. Are they motivated to stay? Are they truly engaged and want to improve the organisation? Is it possible to discover what different collectives of people think?

HMT and Cabinet Office need to consider their role – if monitoring results do not have to be reported to the centre will they be undertaken and analysed? How does a flexible approach on TRP sit with the move to standardise on core pay and conditions to facilitate movement within the public sector?