

Total Compensation Statements and Today's Talent Challenges

Pay stubs typically show an employee's salary, bonuses, taxes and other deductions, but many benefits employers provide employees may not appear. While some absent benefits may be obvious, others may be overlooked or are easily forgotten by employees. A total compensation statement provides employees with a broader understanding of what benefits their employer provides.

Organizations use total compensation statements to not only help employees understand their full compensation packages but also build loyalty and increase retention. After all, in the current labor market, employers need to do everything possible to bring in and keep employees. Utilizing total compensation statements may be one strategy to help employers address their attraction and retention challenges.

How Is Inflation Impacting Today's Talent Challenges?

During times of high inflation, employees generally demand higher wages to keep up with rising prices. Today's rising inflation and current labor shortages are forcing employers to respond to employee demands and driving up wages. Employee wages and salaries are expected to continue to grow through 2022 and into 2023. Consequently, some organizations are revising their budgets for employee compensation and benefits to keep up with the market. For others, that's not possible. Total compensation statements can help organizations effectively communicate the full value of the benefits they provide, especially at a time when employees are demanding higher wages, whether that be driven by inflation or labor market conditions.

What Is a Total Compensation Statement?

A total compensation statement helps employees understand the full value of compensation provided by their employer. This statement highlights the monetary value of an employer's complete benefits package — including any perks that may be overshadowed by traditional benefits — to give an overview of an employer's benefits package.

A standard total compensation statement may include information relating to:

- Salary
- Bonuses
- Commissions
- Stock options
- Stock grants
- Employee stock purchase plan
- Retirement plan
- Social Security contributions
- 401(k) matching contributions
- Paid time off
- Coverages for health
- Life and disability insurance
- Flexible spending account
- Wellness rewards (e.g., discounts and cash bonuses)
- Tuition reimbursement
- Employee assistance programs (EAPs)
- Relocation expenses
- Learning and development opportunities
- Flexible work arrangements (e.g., remote, hybrid and flexible schedules)

These are only a few examples of information organizations typically include in their total compensation statements. The information included can vary based on the organization and the benefits it provides.

Leveraging Total Compensation Statements to Help Address Today's Talent Challenges

Zywave's 2022 Attraction and Retention Benchmarking Overview revealed that attracting and retaining employees has been a persistent struggle for employers since the start of the COVID-19 pandemic and remains so today. In fact, more than 80% of employers expect these struggles to continue through 2022. Even though employers currently face retention struggles, providing employees additional benefits may not be the answer or, in some cases, an option.

Total compensation statements may provide employers with a persuasive tool to aid their retention efforts by showing employees the total value of the benefits they provide. Yet, according to PayScale's 2022 Compensation Best Practices Report, only 40% of organizations in the United States use total rewards statements. However, helping employees understand their total compensation can raise morale and may increase company loyalty and retention by:

- Increasing employee awareness of their benefits and how much those benefits cost the organization
- Providing a dollar amount for benefits that do not seem to have a tangible monetary value
- Promoting the idea of total rewards beyond only a paycheck
- Raising employee morale because they tangibly see the array of benefits offered by their employer
- Reducing the workload for HR professionals by eliminating the need to manually prepare, print and mail statements to each employee

- Showing potential recruits their total calculated compensation on top of their base compensation to make your organization more competitive in the hiring process
- Helping establish open and honest communication
- Guiding employee performance and career development conversations

In contrast, there are also reasons why employers may choose not to use total compensation statements. Some employers may be hesitant to use them, fearing it could lead to employee discontent or comparing benefits with others, including those outside the organization. Other drawbacks may include employees believing the statements aren't accurate or are simply a tactic to avoid providing raises. To address these concerns, employers can provide comparative market data along with their total compensation statements or incorporate them in annual compensation reviews.

Summary

Although it is usually time-consuming to provide, including gathering and presenting benefits data. This cost may be worth the advantages employers may receive to combat current retention struggles.

For more resources on total compensation statements, contact VCG Consultants today.

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