‘Total reward’: time to redefine or retire this jargon in the post-pandemic economy?

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Total reward?

A survey of 1,500 people by communications consultancy Enreach in February this year highlighted that, in the tightest labour market for many years, meaningless business terminology is "a major turn-off" for employees and recruits.

Responding to the survey, Drop the Jargon (2022), 20% said it would put them off an employer in a job interview, 90% thought that its purpose is to hide ignorance of a subject, and most felt that it encouraged them to distrust those using the terms. As Enreach concluded, people would "prefer to understand more clearly what their colleagues mean".

'Total reward', one of the most commonly used phrases in the HR and reward lexicon for at least the last 20 years, is increasingly displaying these symptoms. Its history is long and chequered. Too often a concept originally developed to tailor and integrate a package of financial and non-financial rewards to maximise employee engagement and performance has been neutered, at best, into an inflexible choice from a staid menu of benefits and an ineffective reminder of an employer's reward package. And at worst, it has been used as a cover for moving to an individually contracted low cost/low responsibility/low protection employment and rewards model.

In this paper I argue that after the experiences and reactions to Covid-19, and in the current unstable and inflationary economic climate, 'total reward' it is becoming an increasingly anachronistic and inaccurate term. We need to find alternative descriptors which better characterise the priorities and components that need to be in our reward strategies.

After a brief introduction and overview of the history and components of the concept, I will profile the shift in reward priorities and work during the pandemic and now, in our labour-short but high-inflation economy. I conclude by inviting you to consider alternative terms which might better summarise and communicate contemporary and future reward strategies than 'total reward'.

Reward and HR 'heroes'

An employers' association last month asked me to help them to update their website material on total reward and revive a one-day total reward strategy programme we had run for them for four or five years before Covid-19 struck in 2020. On the course, we broadly covered definitions and concepts, key themes and components and shared case studies from different sectors. One year, I invited the rewards director of Arup to come in and talk about its total rewards and employee value proposition. On another programme, Unilever came along to talk about how it managed total rewards globally.

Total rewards was apparently top of the list drawn from their annual survey of HR topics their members (employers) wanted the association to support them with at the end of last year, with the respondents citing talent shortages and acute recruitment and retention issues, while still facing business financial constraints and severe economic uncertainty as key drivers of their interest.

HR functions have generally emerged from Covid-19 with their strategic influence significantly strengthened and the function's response during the pandemic on reward issues goes a long way to explaining this. Introducing a series of new research articles and papers from international academic studies of the crisis last year, Collings et al. (2021) write: "This pandemic is a human crisis. HR leaders have been central to the response in organisations globally… driving operational and strategic success during Covid-19'. Or more straightforwardly, as one of the respondents to XpertHR's *Annual HR Roles and Responsibilities Survey* (2021) put it, - "HR are the true heroes!"

As I have detailed in earlier articles, the pay, benefits and reward agenda has been central to this generally highly effective response to the crisis by HR and their reward functions. Initially and immediately when the pandemic first struck two years ago, HR implemented the furlough schemes and procured the personal protective equipment to protect employees and their incomes. Then it moved on to address broader considerations of supporting employee wellbeing under very different and unprecedented circumstances and maintaining performance, providing often home-bound former office employees with everything from financial education to home-schooling support. Before at last securing widespread board and stakeholder recognition that the mental health agenda was every bit as important as the physical, along with the resources to help to address it, covering everything from the free provision of mindfulness apps to online therapy, counselling and coaching.

A series of five pulse surveys of their members by REBA (2020) suggested that around twice as many employers have increased their benefits spend during the pandemic, often significantly, as have been forced to make cutbacks, an unthinkable outcome when society and the economy essentially shut-down for the first time in April 2020.

But despite this success and the expansion of the welfare benefits and wellbeing support, or 'EAP on steroids' as a friend described his scheme, I am increasingly convinced that 'total reward' is definitely the wrong concept and terminology for HR and reward professionals to be centering future reward strategies on in this post-pandemic world.

So why do I feel this and why might 'total reward' be so unsuitable as our lodestar for rewards work in 2022 and beyond? And what are the alternatives?

Total reward: how we got here

Total reward ideas go back a long way, at least as far as Adam Smith, who in *the Wealth of Nations* (1776) described the benefits for employers of the concept of what he called "total net advantage". He argued that if employers provided "agreeable work" and workplaces, "learning" "growing responsibility" and "security" (modern-day purveyors of zero hours contracts take note) then employees were likely to stay longer and to be more successful and productive. And you could even pay them less than if you provided more disagreeable conditions! (which some trade union critics have alleged as being a major rationale for the more recent reincarnation of the concept in conjunction with the widespread real pay cuts during the 2010s).

Smith's terminology and meaning are not so different from today's contemporary definition of total reward provided by Armstrong and Brown (2019) in their reward management handbook, as "integrating the different aspects of rewards in a coherent whole, linking financial and non-financial aspects, into one over-arching strategic approach".

In the UK, however, the concept really took off in the 1990s with the spread across the Atlantic of North American ideas of business-enhancing, strategic human resource management (see our IES research Armstrong and Brown, 2019). My former consulting colleague Sandra O'Neal (1998) explained that "total reward embraces everything that employers value in the employment relationship", thereby also maximising the value added in terms of employee engagement and performance on your reward spend.

The widely-used Towers Perrin model she and I helped to develop for clients classified these factors into four quadrants: pay, benefits, learning and environment. And the total reward approach also contributed to strengthening the strategic influence of the HR function in the organisation in the process, with Frank L Giancola writing in 2009 in a provocative piece, *Is total reward a passing fad?* suggesting that the main purpose of total rewards is "to consider the full list of HR programmes from a rewards perspective when developing strategy", that is, to make HR more strategic and influential.

To this was added the rationale of growing workforce diversity and the need for employers to offer choice and flexibility in their total rewards package to suit varying individual needs and preferences. Benkhoff (1997) for example, uses social identity theory to explain that employee engagement requires an integrated HR and reward strategy congruent with each employee's own needs and values. He demonstrated in a research study in the banking sector that such strategies could have a positive impact on employee engagement and retention.

At the time this represented a major shift in the emphasis within contemporary reward philosophy and practice for what were then generally distinct, technically and administratively focused 'compensation 'and 'benefits/pension 'functions, moving them towards a synthesis of 'total reward ' as a potential behavioural driver and change tool, in which rewards could be crafted to offer a distinctive 'employment proposition'. More integrated and strategic reward professionals recognised that employees are not solely economic agents interested in financial gain – they look for meaning in and control over work and a balance with their 'other 'lives. This realisation was reinforced during the pandemic by the major shift to home working during lockdowns and, often for the first time, employers recognising their responsibility to support their employees in areas such as domestic violence.

By the time the pandemic arrived in 2020, total reward had become totally normative terminology and supposed best practice in HR and reward circles, being at the core of the CIPD's professional development for HR and reward managers and a central component of reward textbooks - such as Michael Armstrong and my authored *Handbook of Reward Management Practice (2019).* It's one of those phrases in HR and reward director circles, like 'value added 'and 'flexible', that no self-respecting and influence-seeking HR director would want to be without in their strategies, where indeed its absence might even be regarded as career limiting.

At IES in the 2010s we helped a variety of employers with their total reward projects, including working with NHS Employers to develop their total reward strategy toolkit designed for NHS trusts, with a related one on drafting and using total reward statements. We also researched and wrote the Local Government Employers 'total rewards toolkit for councils and local authorities.

Total reward: the problems

I was initially led into questioning the concept of total reward and its widespread use in employee branding and communications in the decade of unprecedented real pay cuts after the financial crash in 2008/9. This was on the fairly common sense critique that employers might not want to be aggressively promoting their wonderful total reward packages to employees experiencing real declines in their standard of living and suffering from the rapid spread of casualisation and low cost employment models with more unstable contractual and working relationships. This was all occurring, of course, when the use of the term total reward was at its zenith. Total reward was for some perhaps, in senior or high-demand roles, for example. But it was not 'totally rewarding 'for many employees, as Peter Capelli (2014) noted in a well-known *Harvard Business Review* article on the contrasts, *Why Google adds benefits and Walmart cuts them: oddly the logic is the same*

The current dispute at P&O shows these issues and fears have not gone away as Covid-19 recedes. Some employers and chief executive clearly still believe that a completely untotal, lowest cost rewards package is the only or best reward model to employ.

This was especially so in the prior two decades when, under the cover of their glossy new flexible benefits programmes and total rewards terminology, large employers were often cutting their remuneration costs by shutting down their traditional defined benefit pension plans.

Employee Benefits interestingly headlined my thinking then as being *Total rewards is dead* (2014).

In a thought-provoking academic research paper presented at the 2013 European Reward Management Conference in Brussels (referenced by Brown, 2015), Italian researchers Torre and Sarti highlighted two more fundamental problems with total reward emanating from recent academic research:

- A lack of conceptual and theoretical clarity in meaning, with multiple sometimes conflicting definitions and no agreement evident on where total reward practices ended and other HR and employment policies and practices began;
- Limited evidence of it having any impact in terms of employee perceptions and behaviour and organisation performance.

Our own IES research literature review (2016) published three years later on studies into the links between total reward and employee engagement and performance similarly found "confused terminology" that was "difficult to isolate and research", leading to "complex and controversial relationships" with performance and HR practices.

We did find that "the broader the definition of total reward adopted, including a wide range of intrinsic and extrinsic rewards, then the more significant the potential impact on employee engagement". But this simply raises the issue of whether total reward isn't just good HR and employment practice as a whole which has no distinct meaning or relevance.

WorldatWork, which similarly has the concept at the centre of its concept of a reward professional and the extensive series of development programmes it runs and I teach on, nonetheless describes something of a 'say/do 'gap in total reward. Underneath the rhetoric, although it appeared to be "simple in concept", it was "at best, difficult and complex in execution".

For too many UK employers that actively promote their 'total rewards package', the only visible representation of it in practice for many of their employees is a long list on the company website of the claimed benefits of working for the employer. And a once-a-year chore of forced choices from an equally forbidding menu of flexible benefits, which most leave on the default options, through lack of interest or understanding or both.

So if total reward doesn't mean anything to the academics providing the theoretical underpinnings for our reward policies, nor to the employees on the receiving end of these policies in practice, then why are we still using the term?

Covid-19 and why our total reward approaches need to change post-pandemic

Despite these issues being raised, the total rewards bandwagon in practice has continued to roll on apparently unaffected, as is evident if you look at any major employer's recruitment website or stated reward strategy (and there are still 2.5 billion references if you Google-search the term today). So why change the meaning and use of the concept now, after the experiences of Covid-19 and in this highly unusual, unstable and unpredictable economy that is emerging and showing huge strains following the successive shocks of the pandemic, Brexit and now the war in Ukraine?

The world of employment has been shifted in many ways by the pandemic, extending far beyond the forced move for many of us to permanent home working and physical protection of front-line employees from Covid-19. And now, in this unprecedented employment and economic situation, Bank of England governor Andrew Bailey referred in March to the "historic shock" which we are all facing to our incomes and standard of living in 2022 and beyond, with real wage cuts forecast to average over £1,000 per head in just 12 months. The whole emphasis, priorities and components of our reward practices, which in the past were always seen as problematic to change, have been shocked and shifted similarly.

So what are these major shifts generated by Covid-19 and now the cost-of-living and economic pressures; and what words and phrases better characterise this new reward landscape than 'total reward'? I would highlight three trends in particular.

The move back to reward as security and welfare, rediscovering 'boring benefits'

First, rather than maximising an individual's total rewards through our policies, Covid-19 has highlighted the importance of collective **security**, defined by the Oxford English Dictionary as being "free from danger or threat". Security from catching Covid-19 during the pandemic, and now security and **protection** from declining living standards and the growing levels of absolute poverty arising from the rapid escalation in price inflation and resulting cuts to real wages forecast for most of the UK workforce this year.

The government's Coronavirus Job Retention or furlough scheme clearly did an excellent job of preventing the significant growth in unemployment initially predicted when Covid-19 struck in 2020 and supporting over nine million employees at its peak in the summer of 2020. But employers, too, played their part, with many topping up the level of pay for those on furlough from 80% to 100% and a number establishing hardship funds to financially support their employees most in need, as well as those in the wider community.

Temporary pay enhancements and 'hero bonuses', job guarantees, as well as diverting employees to manufacture PPE or run food banks in their local communities, were all examples of the actions of "corporate saints" during the pandemic, as *the Financial Times* christened them, including Barbour, Sainsburys and Bet 365 (Note too, though the examples of "corporate sinners" referenced).

Now, while measures such as the furlough scheme actually reduced levels of poverty during the pandemic, the unprecedented cuts in real wages being experienced by most UK employees this year are forecast in their report *Inflation Nation* (2022) by the Resolution Foundation to push another 1.3 million people into poverty, most of them employed. In response to these pressures, employer membership of the Living Wage Foundation, which measures and campaigns for a real living wage, increased by more than one-third during the pandemic and is continuing to grow.

Investigations carried out by the House of Commons 'Women and Equalities Committee published in their reports on *Unequal Impact* (2021) highlighted that in everything from rates of economic inactivity to unemployment, income and hours reductions and even occupational mortality, minority and protected groups, especially women and ethnic minority people who are over-represented in the lowest-paying jobs, fared disproportionately badly. And they, of course, also face the biggest hardships and risks from the cost-of-living crisis we are entering into now, far worse than the rest of us.

IES research last year, *Laid Low* (2021), found that low-paid workers were twice as likely to have been made unemployed, to have been away from work or to have had fewer hours of work, as the rest of us. Tony Wilson, IES director, says low-paid workers bore the brunt of the pandemic and need continuing and enhanced government and employer protections to ensure the pattern does not continue as we experience the highest price inflation for 40 years: "Now is not the time to be cutting universal credit or cutting back on employment protections. We need to do more to support low-income households, reform sick pay and ensure that workplace rights can be properly enforced."

As well as the real living wage, the government is seeing growing calls for legislation - similar to that which has been implemented in several European countries already, such as Italy, France and Spain - for employers to provide minimum advance notice of hours and shifts to employees, changes in which can severely disrupt the lives of low-paid workers. The EU at the turn of the year adopted a new Directive on Transparent and Predictable Working Conditions which other member states will need to implement.

In the US, Emeryville California introduced a local Fair Workweek Ordinance requiring large firms to provide advance notice of shifts and higher pay in return for short-term changes. Recent research by the National Bureau of Economic Research (2022) found that the move has actually resulted in increased hours and pay for lower-paid workers, as well as improving measures of family and parental wellbeing.

Meanwhile, although the improved protections promised in a future employment bill have yet to emerge from the UK government, theUK courts have been a doing a great job of forcing gig economy platform firms such as Uber to recognise the worker status of their supposedly self-employed drivers and the employment responsibilities and minimum benefits provisions (such as holiday and pensions) that worker status entails. The CIPD notes that "the crisis has further increased the pressure for necessary reforms in employment status and to better protect those in low-paid and insecure work" in the UK.

As well as security and protection, the word 'welfare 'is cautiously re-emerging in the reward and employment strategies of even the most profit-hungry large companies. The CIPD was founded in the early 20th century by a group of mostly Quaker owners of companies such as Cadburys and Rowntree as The Institute of Welfare Workers. **Welfare,** defined as 'statutory or social effort to promote a base level of physical and material wellness for people in need 'is being mentioned in a similar vein in more and more corporate HR and reward plans.

These founding industrialists were not just social philanthropists, but also successful businessmen. As the playwright J B Priestley (*An English Journey*, 1929) observed after a visit to Cadbury's plant at Bourneville in the midst of the depression of the late 1920s, with a living wage, worker housing and other benefits "the factory workers have better conditions, more security and infinitely better chances of leading a decent and happy life… (and for them and their employer) here is definite and enormous gain". This last lesson seemed to have been lost on some of our employers over the last decade and now in our very bumpy post-pandemic economic recovery.

Not providing (beyond any statutory minimum) or reducing the value of a company pension or sick pay scheme, a common strategy in even reputable employers over the previous decade in search of cost efficiencies and enhanced shareholder returns, suddenly seems like a really stupid thing to do in the midst of a global pandemic, and they are now reflecting on the learning from it.

Debi ODonovan wryly observes in *Why boring benefits are back (*2020) that "it appears that it takes a global pandemic for employees and directors to realise how important 'boring benefits 'are." The value of a good pension, life and health insurance, sick pay and similar policies which drove those Quaker employers such as Cadbury and Robert Owen will hopefully not be devalued and disregarded once again, as they have tended to be during the past two decades of individually focused, total rewards approaches.

Research by IDR highlighted that almost one in five companies (17%) changed their sick pay policies with most reversing the trend of the previous decade and increasing their sick pay policy benefits. This followed the government's unfortunately temporary enhancement to our low level of Statutory Sick Pay for the two years of the Pandemic – but our rates are still some of the worst among the OECD countries.

The CIPD strongly recommends that the government provides stronger state underpin for sick employed and self-employed people, but as they report, employers also have a vital role to play and need to provide the best protection that they can afford. In the opposite direction, retailer Asda is facing industrial action as it proposes to make a relatively high base pay award but, in return, wants to reduce sick pay benefits.

We have seen innovative reward approaches and protections emerging too, not just 'back to the future 'policies. For example, enshrined in last year's Pensions Act was the legal creation of a new type of UK pension plan, Collective Defined Contribution schemes, with the Royal Mail leading the way in becoming the first employer to introduce one. These schemes, based on the Dutch sector-based occupational model, should enable a better balance of individual and corporate risk, responsibility and contribution to be achieved in employer pensions here, between the extremes of the current legacy DB and now widespread DC plans. So much for 'boring benefits'.

The emphasis on health and wellbeing

Second, **health and wellbeing** – the latter dictionary-defined as "the state of being comfortable, healthy and happy" – are perhaps the two most obvious and now most commonly used watchwords that summarise the considerable additional activity undertaken by, and strategic focus of, reward and benefits professionals during the pandemic. In fact, my last total reward programme for that employers association I now see was actually titled, Total Reward and Wellbeing, and wellbeing, rightly, continues to be a major focus for us today as the pandemic wanes.

This is not just physical health and wellbeing but also, of course, mental health, which the pressures of working behind screens and masks and permanently at home both highlighted and exacerbated during the pandemic. The World Health Organisation estimates that we have seen a 25% increase in the prevalence of depression and anxiety world-wide during the two years of pandemic and the government estimates that mental ill-health costs the UK economy £105bn a year. Digital wellbeing became a core priority as everything from family gatherings to work meetings moved online, and as the blend between home and work life became ever more hazy, the need to manage digital health has become a key part of wellbeing.

Rather than trumpeting and pushing our employer-driven and employer-defined 'total reward ' programmes at employees, the notion of employee wellbeing forces us to consider reward from the employees 'perspective – are they well, in all senses? How are they feeling? While we can look at and compare actual pay levels and benefits provisions by companies, the only way to assess wellbeing is to ask employees themselves – as for example with the financial wellbeing questionnaire tool we developed and tested at IES for the Money Advisory Service.

The CIPD's *Health and Wellbeing at Work surveys* in recent years have charted this growing emphasis, and the last programme that we ran for members of that employers 'association I mentioned earlier in 2019 was actually called 'total rewards and wellbeing'. But it has received a huge and obvious boost from Covid-19. For example, the CIPD found that 40% of the employers they surveyed had a wellbeing strategy in place in 2018 and 55% said wellbeing was on their leadership's agenda. By the 2021 edition these had jumped to up to 50% and 75% respectively, although both figures, somewhat disappointingly, have tailed-off slightly in 2022.

REBA's research into Covid-19 and employee mental health found similarly that 88% of respondents report an increase in mental health discussions at senior management level, while more than three-quarters of businesses have seen an increase in requests for mental health support in the wake of Covid-19. They also found that the effects of the pandemic on mental wellbeing, particularly burnout, stress and exhaustion, remain a major concern for employers, with worries that burnout could get worse before it gets better as 'normal' life starts to return, and with the current economic shock.

The emphasis on mental health also brought to prominence the potential value of wider employee assistance programmes (EAPs). Their role as a first-line form of support became even clearer as the pandemic took hold. Many employers introduced them for the first time, or significantly upgraded the services on offer to employees. From money worries to bereavement support, the breadth of EAPs' offerings and quality of support also became a major consideration.

A new report just published by a joint initiative between Sir Michael Marmot's Institute of Health Equity at University College London and insurer Legal and General demonstrates the mutually beneficial role that employers as well as government can play in improving health and wellbeing and addressing major inequalities nationally. But it also highlights the problems that a lack of employer and government investment in occupational health is creating.

"Businesses" they note "affect the health of their employees and suppliers through the pay and benefits they offer, through hours and job security and through conditions of work." In return, they find that businesses are "more productive if workforces are physically and mentally well" with ill-health estimated to account for one-third of the productivity shortfall in the north of England compared with the rest of the country. And as their report notes "at a time of tight labour markets, it is not just a human tragedy but lost opportunity if experienced workers are forced to leave the workforce for health reasons".

Marmot (2022) notes a successful campaign to persuade supermarket J Sainsbury to introduce a “real living wage” for all workers. The company said: “We pay more than many of our competitors and across the board colleague feedback has been positive to our pay review, which represents a £100m investment and exceeds the national living wage and the national real living wage.”

More broadly, the CIPD's (2022) latest wellbeing survey notes a growth in employers aiming to support and “look after people throughout the employee lifecycle… (through) a holistic approach to wellbeing, including offering support to meet the potential challenges individuals experience at different life stages, such as caring responsibilities, pregnancy loss or chronic health conditions”. Total reward in its early incarnation aimed to lead us in this direction of a high investment/high returns approach to people management rewards. But as I have described, it hasn't always worked out to be a ‘totally rewarding 'approach for many employees, especially the low paid and those moved onto insecure contracts.

Correspondingly, on the ‘sinners 'side, Marmot believes “P&O provides a case study of how not to do it”, criticising the company for sacking 800 workers without the legally required minimum notice period and replacing them with cheaper agency labour. For Marmot, they also illustrate a ‘how not to 'model of employment and rewards by not involving employees in key decisions, paying less than the real living wage and “putting (short-term) profit before all other consideration”. So much for total reward.

Somehow supposedly total reward approaches in the UK have led us to a situation in which a well-known employer such as P&O can, as the *Financial Times* observes “deliberately flout the law” with ””abhorrent cynicism” in the treatment of its employees and lead “a race to the bottom” in employment costs and conditions.

‘It's the pay – Stupid'; … and fairness and financial wellbeing

Many people were shocked to find during the last two years that key workers, such as those providing the remarkable levels of support to our parents in care homes, at high personal risk to themselves (as the occupation with the highest rates of mortality from the virus), and who we would go out and applaud every week on our streets, are only paid the statutory minimum wage and employed on insecure zero hours contract arrangements. When they can move for an extra £1 per hour to work in their local Amazon warehouse then it is perhaps no surprise that we have an acute staffing shortage and care crisis.

Trust for London in its research report, Frontline fatigue (2020), demanded that frontline workers be paid a minimum of the real living wage (£9.90 and £11.05 per hour in London currently, compared with the National living Wage rate for over 23 year olds of £9.50). And I have similarly argued that applause is not enough and proposed that all care workers should be moved onto to Agenda for Change pay, pensions and conditions applying to NHS staff.

Pay, and its close cousins financial reward and wellbeing, has come back to centre stage in the contemporary rewards agenda, rather than being de-emphasised in a long list of total rewards components. As an old investment banker friend put it to me when I mentioned I run total reward programmes, “just gimme the money”.

People less well-off than him however, are the ones that all reward professionals should be worrying about and focusing on right now, in this economic context of rapidly rising inflation now being further exacerbated by the war in Ukraine (CPI rose by 6.2% in the 12 months to February 2022 and is forecast to reach almost 9% by year-end), and pay awards that may be at their highest level since

2008 but are only 'inching up 'in response (the latest median in 2022 settlements, according to XpertHR has moved from 2.5% to 3%).

The recent forecasts by the Office of Budget Responsibility and the Resolutions Foundation's related analysis highlight that:

- The average family is facing an £1,100 income loss this year as typical working-age household incomes are to set to fall by 4%, in real terms a loss of £1,100, with the largest falls among the poorest quarter of households where incomes are set to fall by 6%. The OBR describes this as "the biggest fall in living standards in any single financial year since ONS records began in 1956-57".
- Typical household incomes are forecast to fall by 2% across the current parliament as a whole (2019-20 to 2024-25), making this parliament the worst on record for living standards, beating the 1% income fall over the course of the 2005-06 to 2010-11 parliament incorporating the Financial Crash and subsequent recession.
- Average weekly earnings in the UK are therefore on course to rise by just £18 a week between 2008 and 2027, compared with £240 a week had they continued on their pre-financial crisis path. This lost growth is equivalent to a £11,500 annual wage loss for the average worker.

Open and more frequent communications were essential in many firms during the pandemic and regular, transparent communications are likely to remain the norm. A group of PR and communications professionals that I spoke to recently on current pay and reward trends, in a sector also experiencing high vacancy levels and escalating rates of employee attrition, were delightfully direct on this. In their view it's "just dumb" for HR and reward professionals to major on long lists of benefits and conditions and to "boast about" comprehensive and generous total reward packages when employees are experiencing a 60% increase in fuel bills and obvious fall in living standards: "It's the pay, stupid".

This also helps to explain the continuing emphasis on financial wellbeing in HR and reward functions once the pandemic and successive lockdowns had made it so essential for many employers, as well as their employees, to survive. It must, along with pay levels, and especially for the base of the organisation, be at the top of reward leaders 'agendas in all sectors right now, given the latest inflation figures and forecasts.

The CIPD's annual reward management survey, published last year, highlighted continuing growth in the number of employers with, or planning to develop financial wellbeing policies – up to 42% of respondents. However, that means almost half of employers do not have an employee financial wellbeing policy, so it is not perhaps as significant growth over prior years as I had anticipated, especially when 68% of organisations reported their employees 'financial wellbeing had worsened since the pandemic.

But most respondents in the CIPD's latest reward management survey (to be published shortly) agree that organisations should provide the three components they define are required in a financial wellbeing policy:

- Provide a fair and liveable wage (96%)
- Support in-work progression to help people increase their earning potential (87%)
- Support financial wellbeing by offering and signposting benefits and financial education (71%).

As chief executive Peter Cheese says, every employer should have a financial wellbeing policy, given the strong business case, but also “the ethical argument: it’s simply the right thing to do, about responsible business”.

Increasing pay is perhaps the simplest way of improving employee wellbeing and reward at the moment, helping to explain the ‘pay battle ’and rises we are currently seeing for shopfloor staff in major supermarkets.

Meanwhile, the incredibly tight labour market and labour shortages leading to the record vacancy levels across virtually all areas of the economy (more than 1.3 million, according to the latest ONS data, almost the same figure as the number of unemployed people nationally) are also putting greater emphasis on pay and recruitment pay levels over other elements in the rewards package.

For all of the discussion in HR circles of Covid-19 having made potential recruits and employees more values-driven in their employment choices, a recent survey examining the reasons for ‘the great resignation ’in North America from Pew research shows the traditional reasons of “pay too low”, “no (career) opportunities” and lack of recognition and respect as being the most common drivers of deciding to leave an employer.

Other studies do, it is true, show the importance of non-financial drivers of attrition, such as a “toxic work culture” and poor leadership. But, even then, I wonder if I should now name a toolkit or resource bank as being about ‘total rewards’. Or would I rather brand and lead with what total rewards was really about originally: how to recruit and retain and motivate staff over the long-term to high performance, which I would think every employer and HR and reward leader in the country is worried about right now.

Pay levels are often higher in this tight labour market for new recruits, than for existing experienced employees, by an average of £1,500, according to recruitment website Totaljobs. And so employers who thought they were trying to retain staff, may in practice be unwittingly encouraging them to move on.

The ‘balance sheet ’snapshot emphasis in the total reward statement misses the fact that how people’s careers and pay progress during their career is at least as important as the absolute level of pay and value of current benefits these statements show at a fixed point in time.

IES’s research in the UK and Europe, *Progression in Employment (2019)* found that employers such as Scandic Hotels and the Body Shop that support especially low-paid, lower-skilled workers to progress their skills and pay report significant reputational benefits, improvements in service quality and reductions in employee turnover.

Another, perhaps unexpected, feature of the current unusual economic and employment situation and the deadly impact of the pandemic is the encouragement of a growing emphasis on **collective** support and **fairness** in pay and conditions, rather than the individual reward choice and aximization emphasis of much of the total rewards literature and practice.

Kristalina Georgieva, managing director of the International Monetary Fund correctly predicted early in the pandemic that: “for almost all countries this ‘world turned upside down ’will be a setback to living standards” but “as we embark on this long ascent (of economic recovery), we are all joined by a single rope, we are only as strong as the weakest climbers’.

This trend appears to be manifest in, for example:

- A significant growth in ethnicity pay reporting and similar pay equity analyses and related action plans since the start of the pandemic and especially since the murder of George Floyd in May 2020 – I have described this in detail in two recent articles. I was particularly pleased to see the recently announced reforms to the male-dominated Clinical Excellence Awards scheme in the NHS, one of the recommendations by the research team I took part in led by Professor Carol Woodhams, which investigated the significant gender pay gap in medicine.
- The growth in interest in collective profit sharing, all-employee share plans and employee ownership, following from the 'hero bonuses' and 'thank you' payments during the pandemic. According to Startups magazine, Covid-19 is "driving huge growth in employee share schemes", or interest in them at least, with more than half the business owners they polled interested in offering shares to their staff.
- The number of employee owned trusts (EOT) is also significantly up over the past two years, moving from 550 in 2020 to 800 companies. An example in the leisure park and activity company Go Ape, where, after discussions with the other shareholders last year, the founders agreed a deal to sell 90% of the stock to an EOT. "It was a real eureka moment", according to co-founder Rebecca Mayhew: "We realised that these people who had enabled us to do so well up to that point and we considered as employees were in fact much more like our family."
- The harmonisation of some benefits between executives and front-line employees.

While a key driver of the original total reward concept was flexible benefits and the individual personalisation of packages, the emphasis on 'we're all in this together 'and fairness coming from the Covid-19 experience has, if anything, led to greater reward harmonisation across different employee groups. Why have your front-line low-paid staff with poor sick pay provisions been compared witho executives with private medical cover, when the former were facing all the risks of catching Covid?!

This has been the commonest way employers have improved their sick pay policies during the pandemic, reversing the trend of the previous decade.

Conclusions on the future for total rewards

"*Businesses have a once-in-a-lifetime chance to change the world of work"*
Professor Lynda Grattan, LBS, 3.11.21.

'*Watch your thoughts, they become your words. Watch your words, they become your actions*'.
Quote attributed to many people, ranging from the Buddha to Margaret Thatcher's father.

I am not arguing in this article that 'total reward 'as an organising and integrating concept for HR, and benefits professionals has no use in 2022 and beyond. When thinking about the range of rewards you offer, how to recruit, retain and engage your employees, and budgeting and prioritising your work, it still makes sense and has obvious value.

What I am saying, though, is that now, following the experiences of Covid-19 and the current cost-of-living crisis and talent war, we need to stop using the phrase 'total reward 'unthinkingly as a generic branding and as a lodestar designed to integrate, offer and maximise individual choice and differentiation in rewards.

We particularly need to stop the abuse of the concept in practice, with some employers in the past using it to cloak employment cost-cutting, while more employers continue to offer relatively staid and inflexible choices from a fixed menu of benefits options and annual total reward statements which few of their employees read.

Covid-19 shook up and revitalised the 'boring benefits package 'and reversed the trends towards employment and benefits cost reductions. We need to learn these lessons from this horrendous pandemic and take them forward, investing in people and rewards rather than pursuing that 'race to the bottom'.For many organisations, total rewards needs to be relegated from centre-stage and having lead-billing in your reward strategy, and especially its communications, to more of a supporting and back-room positioning. There are real risks in my view to employee recruitment, retention and motivation from employers simply continuing with the total rewards status quo.

Total rewards needs at best to be re-modelled, as WorldatWork has done recently in redefining its total rewards model, to reflect the shift in the emphasis of rewards emerging after Covid-19, with wellbeing now introduced as the second of its five components.

Given the changed emphasis in our reward activity, which I argue elsewhere has generally positively influenced HR's standing within employers and leaders and, given our current cost-of-living situation and genuine 'crisis', it makes sense to de-emphasise 'total reward' and to focus on distinct themes and aspects of the rewards package, which rightly moved into prominence during the pandemic and seem likely to remain there for at least 2022.

I have described in this article some of the key themes I am seeing in my rewards work and the employers whose approach to employment and reward I most admire and respect. These themes and terms include pay and progression; protection and security; fairness and collectivism; health, wellbeing and welfare.

There are times when total reward is all about integration and communicating the full reward and employment package. But, as I said, now might be a good time to just communicate how good each aspect of the package is separately. Most UK employees face the biggest fall in real earnings this year since modern records began, and so employers need to be really careful about trumpeting the brilliant total reward package they have when people are struggling to pay their heating bills and feed their children. A more focused approach is called for.

There are some excellent examples of how total reward is changing in practice, as evident in last years 'REBA webinar on financial wellbeing. The discussion didn't mention total reward statements or menus. It focused instead on identifying the real needs of employees and designing rewards to address them, the links of a financial wellbeing programme to collective organisational culture and purpose, better understanding the interplay of wellbeing with pay levels and household finances, and evidence-based reward practices.

Total reward 'can only survive after Covid-19 and in the midst of the current talent war and cost-of-living crisis if its meaning and application are reborn into a new, more engaging and responsible approach.