

Total Compensation: The Cure for a 3-Percent Merit Budget - By Kathi Guiney SPHR, GPHR
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When it comes time for merit increases this year, the cheers from your employees may not be deafening.

Based on a recent WorldatWork survey, most employers are working with a 3-percent merit budget for U.S. employees in 2013. Once that 3 percent is added to current salaries (especially at hourly to mid-level manager pay levels), and taxes and other deductions are made, the net increase is very small—in some cases just a few dollars.

Cue the uncomfortable silence.

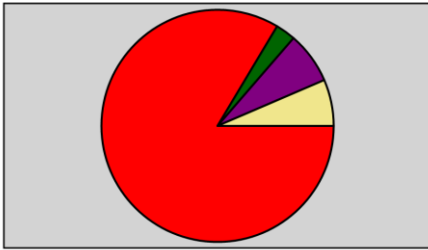
Here's where you have a choice. You can go on the defensive, trying to explain why—once again—salary increases will be modest. Or you can go on the offensive and help your employees see the real value, the Total Compensation, they realize from working for you.





Total Compensation helps employees look beyond salary by providing a breakdown of all the direct and indirect benefits they receive from you. Total Compensation is usually divided into direct compensation, including salary, bonus and incentive, and vested stock options, plus the many non-salary items or indirect compensation items that employers offer at significant expense to them. A Total Compensation communication will work to bring these valuable and often-overlooked additions out of the shadows.

So what are these Total Compensation items and what is their value to your employees? Let's look at them in four broad buckets: cash or near cash, protection programs, taxes, and the big bopper—paid time off.

- Cash or near cash – This includes base pay, bonuses and incentives, stock programs, 401(k) especially if you have a match, gym membership, tuition reimbursement, and the like.
- Protection programs – These include medical, dental, vision, and life insurance. These premiums add up and your employees may only notice what *they* contribute.
- Taxes – You pay into many state and federal programs on behalf of the employee via payroll taxes. These programs include State Disability Insurance, Social Security, and unemployment insurance. As any consultant will tell you when you have to pay this all on your own, WOW it really adds up!
- Paid time off through holidays and vacation – This is income earned with no work required! It is quite a value that often goes unnoticed by employees.

As you can see, the value of Total Compensation items is more than you think and much more than your employees realize. To help employees understand this concept, it is relatively easy to create a visual communication piece that will let your employees see the value of all their direct and indirect



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|  | Total Income - 83.57% |
|  | Total Benefit Plans - 2.78% |
|  | Total Tax Costs - 7.19% |
|  | Total Paid Time Off - 6.46% |

compensation. Nothing communicates the slices that make up the Total Compensation pie better than a pie chart! In many cases the information you need to produce a document is found on payroll reports and will look something like this...

...a powerful demonstration of **all** of the Total Compensation rewards employees receive. So take a step beyond just the cash and help your employees enjoy a big piece of the “pie.”