
4B. Total Reward

Total rewards include everything the employee perceives to be of value resulting from the employment relationship, with a goal to attract, motivate and retain talent.

Latest research reveals that individuals are attracted, retained and engaged by a whole range of financial and non-financial rewards and that these can change over time depending on their personal circumstances. Employers need to find out what attracts, retains and engages individuals and explore how best they can meet these needs - as well as meeting the requirements of the business. It is also crucial that the company integrate the various elements of the reward package so that they support, rather than contradict, one another.



4B.1 Essential components of total reward

The key elements of total rewards are as follow:

a. Direct financial reward

includes base salary which is largely determined by job size, market alignment and performance, bonus, commission, incentive plan, profit sharing plan, stock/equity sharing plan, etc.

b. Indirect financial reward

retirement benefit scheme, health care & life insurance, staff loan, house purchase scheme, leave, child care, fitness & recreational facilities, company cars, etc.

c. Intangible non-financial reward

work-life balance – policies/measures/culture/practices/supports that enable employees to maintain a work-life balance, eg. flexible work hours/home working/unpaid time off/volunteering programs, etc.

development and career opportunities – development is the provision of set of learning experiences designed to enhance employees' applied skills and competencies; development engages employees to perform better Career Opportunities is the provision of a plan for an employee to advance their own career goals and may include advancement into a more responsible position in an company. The company supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to their company.

d. Tangible non-financial reward

performance and recognition – performance is the alignment and assessment of individual efforts towards the achievement of business goals. Recognition is acknowledgement or giving special attention to employee efforts or positive performance. Recognition will satisfy the individual's need for appreciation and can support business strategy by reinforcing certain behaviors that contribute to the company's success. Often there are recognition for outstanding achievements, superior performance, loyalty etc. Awards can be cash or non-cash (e.g., verbal recognition during team meetings, trophies, certificates, plaques, dinners, tickets, etc).

The elements represent the “tool kit” from which a company chooses to offer and align a value for both the company and the employee. The elements are not mutually exclusive. Total rewards strategy involves the art of tailoring the combination of these four key elements into attractive packages for employees. An effective total rewards strategy results in satisfied, engaged and productive employees, who create desired business performance and results.

4B.2 Determining factors

- ✦ Determine what are you rewarding for:
 - performance?
 - qualification (eg. having attained a Master Degree)?
 - experience (eg. achieving Qualification Framework Level 5 or equivalent)?
 - potential?
 - behavior?
 - effort?
 - achieving goals/meeting targets?
- ✦ How will the employees be rewarded?
- ✦ Are the awards in line with the company's work culture/characteristics/business strategies?
- ✦ Will the awards drive the right behaviours/performance/efforts?
- ✦ Will the awards be valued by the employee?
- ✦ How often would the awards be given?
- ✦ Is the award short term or long term?
- ✦ Is the award immediate or deferred?
- ✦ How often will these be reviewed?

4B.3 Legal framework for reward management

Reward system should comply with the legal requirement. The following highlights a few common areas requiring special attention:

- ✦ payment of wages within designated timeframes
- ✦ restrictions on wages deduction
- ✦ statutory paid leaves, eg. statutory holidays, sick leaves, maternity leaves; and note that payment in lieu is not permitted
- ✦ statutory minimum wage
- ✦ mandatory provident fund contribution
- ✦ tax reporting on chargeable income (including benefits in kind, such as share options or housing benefits) from any office or employment