

The importance of being intangible

Until intangibles are carefully considered, articulated, communicated and valued, HR departments will be missing the total rewards boat

BY DAPHNE WOOLF

Once upon a time it was all so simple: employees came to work and did their jobs in exchange for some package of cash and benefits.

An employee's remuneration was made up of tangible things like base pay, bonus and group and retirement benefits. By definition, they had an easily measured monetary value. Compensation was, in many instances, the foundation for an employee agreeing to do a job, but not necessarily the catalyst for the employee doing that job well or staying with that employer.

Things got more complicated with the realization that what can be equally or even more important to an employee are the intangible elements of the total remuneration offering. If tangible remuneration is measurable and usually has a monetary value, then it follows that intangible remuneration is not easily measurable and doesn't usually have a monetary value.

Examples of intangible remuneration include career growth opportunities, mentoring and good leadership. (For a comprehensive list of tangible and intangible rewards, see sidebar on next page.)

Employers, with a goal of em-

ployees doing their job and doing it well, need to be equally concerned with both the tangible and intangible elements of the total remuneration offering.

Tangible remuneration is relatively easily to manage. Benchmarking studies comparing what is being paid among different groups of employees are readily available.

Intangible remuneration is not so easy to manage. Say, for example, during an office renovation an employee is given the office near the elevators instead of beside the vice-president, though she previously sat near the VP.

This could be perceived by that employee as a negative intangible. Now, some may say that this has nothing to do with remuneration. But it could be argued that the decision of office placement will have an impact on that employee's motivation and potentially even her ability to do her job well — in which case, it is definitely an element of that employee's remuneration.

Sometimes intangible remuneration can be so valuable to the employee, that she'll take less tangible remuneration in a trade-off. An employee who is promoted and given a more senior title may be paid less than another employee who is not given that position but who is a very strong performer. Depending on

the engagement drivers, the title may be the motivator for the first employee, while the increased cash may be the key motivator for the other.

When an employer fully recognizes the relationship between the tangible and intangible, then that employer is truly functioning within a total rewards environment. Until the intangibles are carefully considered, articulated, communicated and valued, the concept of total remuneration within a company is incomplete.

Once the organization has accepted the importance of intangibles, the next challenge is how to figure out the engagement drivers for an employee and what intangibles are valued.

The solution is qualitative assessment.

Because intangible remuneration is not measurable, it can only be qualitatively assessed. Benchmarking studies or survey data are not options. HR managers must figure out how employees feel, understand their personal needs in the workplace, and what has importance and what has none.

In the earlier example, the unhappy employee beside the elevators may be the same employee who is seeking mentorship and career coaching.

So, do you continue to seat this employee near the elevators

but provide mentorship and career coaching, or do you move her closer to the vice-president and disregard the need for mentorship and career direction?

In a perfect world, both would be possible. But what about if neither is possible? Do you increase her pay to offset her disgruntlement? Will the increase in pay make any difference in how she feels? Probably not. In this example, the intangible remuneration is as important, if not more so, than the tangible.

Operating in a truly total rewards environment involves looking at the employment contract in the broadest of terms — to include both the tangible and intangible elements of the total remuneration offering. This broad approach fundamentally changes many of the questions HR professionals need to ask when structuring the contract and defining an employment relationship, examples of which include:

- Do we hire this employee? Does the employee have the skills we want for the total remuneration we are prepared to offer?

- If we do, what is the job? Is the job description appropriate given the total remuneration we are prepared to offer?

- What are the criteria for the

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Unquantifiable rewards redefine employment contracts

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employee to do the job well? Are the targets and expectations reasonable and does the total remuneration adequately motivate the employee to meet these targets and expectations?

- How will the employee's performance be measured against the criteria? Is there a good system in place to connect the employee's activity and results with her total remuneration?

- What are the elements that define tangible remuneration? Both the employer and employee need to have a clear understanding.

- What should this employee be paid in tangible terms? Should she be paid more or less given her skills, education and experience?

- What are our expectations in return for this level of tangible remuneration? Can job-related outcomes be linked quantifiably to tangible remuneration?

- What are the elements that define intangible remuneration?

Both the employer and employee need to have a clear understanding.

- What tools and support does the employee require to do her job well? This requires dialogue with the employee to ensure personal needs are being met.

- What are the employee's requirements or expectations related to responsibility and recognition? This also requires

dialogue to ensure personal needs are being met.

In getting the answers to these and other related questions, do not accept superficial responses. Probe deeply. Get to the bottom of the employees' intangible remuneration requirements.

Then evaluate the effectiveness of the tangible remuneration offering. At the point in

which you have effectively integrated the tangible and intangible components of an employee's remuneration seamlessly, you are truly operating within an environment of total remuneration.

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■ A REMUNERATION CHECKLIST

The many, many ingredients of total rewards recipes

Tangibles

- base salary;
- bonus;
- short-term incentives;
- long-term incentives;
- vacation;
- paid holidays (statutory, other special);
- supplemental maternity benefits;
- sick leave plans;
- sabbaticals and leaves of absence;
- attendance bonus;
- provincial health-care premiums and taxes;
- payroll taxes (WSIB, WCB, EI, CPP);
- leaves of absence (jury duty);
- service awards;
- memberships;
- credit cards, calling cards, gas cards;
- cell phones and pagers;
- gifts;
- laptop computers and handheld devices;
- employee assistance plans;
- relocation and housing allowances;
- educational assistance programs;
- car allowance/mileage/discount rates;
- group RRSP/DPSP;
- pension plan;

- financial planning;
- life insurance (basic and optional);
- extended health and vision care;
- dental care;
- health-spending accounts;
- out-of-province coverage;
- stock purchase/savings plans;
- stock option plans;
- executive top-ups;
- top-up options;
- wellness/fitness reimbursements;
- health and wellness programs;
- home/auto insurance;
- mortgage subsidies;
- child scholarship plans;
- child care;
- special sales force awards;
- entertainment allowance;
- concierge services;
- parties;
- lunchroom supplies;
- subsidized meals (lunchroom cafeteria);
- other employee-paid and company-administered benefits (i.e. Canada Savings Bonds);
- referral programs;
- termination and severance packages;
- corporate product discounts;
- expense reimbursement;
- take-home meal service; and
- on-site services (massage, physiotherapy).

Intangibles

- training and development (could be tangible);
- expression of sympathy;
- focus groups to listen and act on what's said;
- mentoring (formal or informal);
- career development;
- personal development;
- skills development;
- career growth opportunities;
- supportive leadership;
- internal communication;
- personal responsibility and corresponding authority;
- non-monetary recognition;
- exchange program;
- relationships with management, co-workers, and customers;
- job-related support;
- challenging and interesting work;
- being in the right job;
- performance management;
- office logistics (i.e. position/type of work station);
- direct reports — up and down;
- job security;
- treatment of terminated employees;
- flexible work arrangements;
- remote access;
- corporate values; and
- corporate mission statement.

