

You may think of Total Rewards as the use of all tools that are available to an employer that may be used to attract, motivate and retain employees. Total rewards can include everything the employee perceives to be of value resulting from the employment relationship.

Below shows some background information on the topic of rewards:

- In classical economics, workers were regarded as commodities that were subject to the natural laws of supply and demand. Karl Marx in the mid-1800s challenged this by arguing that all the value of production comes from workers' input.
- Institutional economists in the US had contributed to the development of modern industrial relations, and also provided many of the ideas behind the labor legislation enacted as part of President Franklin D. Roosevelt's New Deal in the 1930s. Basically, the U.S. Congress and the Roosevelt administration enacted a series of laws granting workers the right to organize into unions and to engage in collective bargaining with employers. Other New Deal legislation were put in place for setting minimum wages and providing a system of unemployment insurance and social security.
- Frederick W. Taylor's engineering approach regards workers as passive instruments of production but at the same time recognizes differentiation among workers.



**Notes:**

- The human relations research program carried out by Elton Mayo and his associates at the Hawthorne Western Electric plant made the discovery of the “Hawthorne effect”, which revealed an increase in worker productivity produced by the psychological stimulus of being singled out and made to feel important.
- Behavioral scientists recognized the importance of economic factors, and also see material rewards as having an effect upon behavior in combination with social and psychological factors.

## **What is compensation in the context of Total Rewards?**

Compensation is the total reward received by an employee in exchange for the services performed. The purpose of a proper compensation system is to achieve objectives such as:

- Evaluating jobs consistently and fairly.
- Placing staff positions in the appropriate pay grade with salary ranges that are competitive with the marketplace for comparable jobs.



- Measuring the external market value for comparable jobs and adjusting the salary structures accordingly.
- Creating and supporting a system which will provide flexibility to managers in pay administration and to staff in career development.

## **Total rewards strategy**

Total rewards strategy refers to the art of combining these five elements into tailored packages designed to achieve optimal motivation. For such strategy to be successful, employees must perceive all these rewards as valuable.

**Total rewards has to operate in the context of overall business strategy, organizational culture and HR strategy.**

A comprehensive Total Rewards Strategy has a number of concerns.

- Culture consists of the collective attitudes and behaviors that influence how individuals behave. Typically it is comprised of unspoken expectations,

