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## A Study on Reward Communications: Methods for Improvement of Employee Understanding

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# A Study on Reward Communications: Methods for Improvement of Employee Understanding



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**W**hy do most organizations do a poor job communicating their reward programs? According to Hay Group's global employee opinion research (the 2008: Hay Group Insight Employee Opinion Database), only 35 percent of employees understand how their organizations' reward programs work. While a .350 batting average is outstanding for a baseball player, having only 35 percent of employees understand the manner in which they are paid seems unacceptable. Many compensation professionals are apt to tout the meaningful impact that reward programs can have on an organization's effectiveness — that is, when employees understand and are engaged by these programs.

So why aren't more total rewards professionals "putting their mouth where their money is?"

It should be a no-brainer to communicate the objectives of reward programs, the value of the investment in people and the details of the program. After all, rewards are often an organization's largest controllable expense. Previous research shows that some organizations get it right, but for the majority, reward communications generally falls short (Scott, McMullen, Sperling and Bowbin 2007; Scott, Sperling, McMullen and Wallace 2003).

Research shows a relationship between reward-communications effectiveness and employee engagement and business results. Mulvey, LeBlanc, Heneman and

McInerney (2002) found a positive correlation between the amount of knowledge employees have about their reward program and their satisfaction with their job and the organization. Studies conducted by both Hay Group and Towers Perrin found that the most effective organizations provide reward information more frequently and in greater depth than other organizations (McMullen, Stark, Royal 2008 and Gherson 2000). These studies found that high-performing organizations do a much better job than their respective peer groups in:

- Communicating the purpose and intent of total rewards programs with employees
- Frequently communicating the value of total rewards
- Engaging line managers more directly in reward-communications processes
- Evaluating the success of reward programs.

The authors' 2007 survey of WorldatWork members found that for some organizations, reward communication was one of the greatest strengths, but for others it was the greatest weakness (Scott, McMullen, Sperling and Bowbin 2007). In identifying the most effective characteristic of his organization's reward program, survey respondent Bruce Lasko at Avaya said, "Surprisingly, it's not the value. It's the communication. We've spent years spending hundreds of millions on providing benefits that employees didn't value, understand or even know existed. Regularly communicating the 'total value' ... significantly improved the effectiveness of our rewards programs."

Any research on reward communications must address the tricky balance between communicating enough information about reward programs for employees to understand them and the inevitable need for organizations to keep some information private. Proponents of open reward communications contend that without employee understanding, reward programs will not align or motivate employee effort toward achieving business objectives. However, even those favoring reward-program transparency point out that a level of employee privacy must be preserved, and that a completely open reward program, where everybody knows what everybody else is paid, could foster jealousy and resentment.

The great interest in reward communications found through the authors' previous research and in the compensation literature, coupled with age-old debates concerning the level of pay transparency versus secrecy, became the mandate for conducting this in-depth study of pay communications. The research project's objective was to learn:

- The type of reward information being communicated to employees
- The degree to which survey respondents understand the organization's reward strategy and philosophy
- The degree to which survey respondents understand how base pay, pay increases, incentives and benefits are determined and administered
- The methods used to communicate reward information and the effectiveness of these methods
- Innovative methods used to communicate reward information.

## DATA COLLECTION AND SAMPLE CHARACTERISTICS

A sample of WorldatWork members were invited to participate in this study. The survey was open from Dec. 1 to Dec. 20, 2007, and took approximately 20 to 30 minutes to complete. While the authors suspected that a long, detailed survey could diminish the response rate, a brief survey would not provide the insights being sought regarding reward communications policies and practices. In the end, the authors were pleased with receiving 394 valid responses. One response was dropped from the analysis, as only a few questions were answered.

Responses were from a diverse range of industries and organization sizes, as shown in Figures 1 and Figure 2. Most respondents identified themselves as midlevel and senior compensation professionals (42 percent and 36 percent, respectively). Nine percent of respondents were officers or senior-level executives, 9 percent were emerging or junior-level compensation professionals and 4 percent were consultants and academics/educators.

## FINDINGS

This study covers communications used for five reward components:

- Organization reward strategy and philosophy
- Base pay
- Base-pay increases
- Short-term variable pay
- Benefits.

The survey's findings varied by reward category. Most respondents (81 percent) reported that their benefits communications were "effective" or "very effective." Fewer, but still more than half, of respondents reported the same positive views of their communications of base-pay increases or variable pay (59 percent in both cases). Only 44 percent reported that their base-pay program communications

FIGURE 1 Survey Respondents by Organizational Size (Number of Employees [EEs])

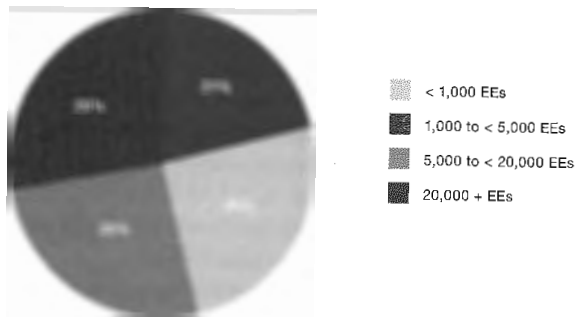
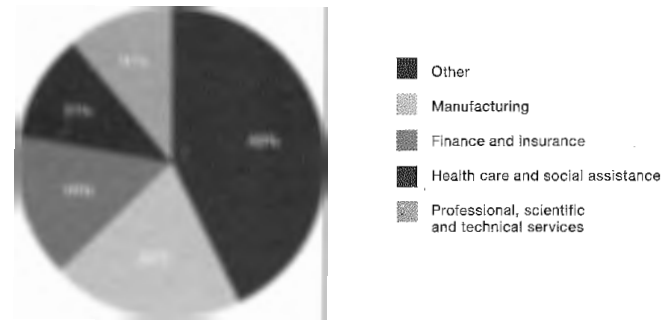


FIGURE 2 Survey Respondents by Industry



were "effective" or "very effective," and 33 percent had the same view of the effectiveness of their communication of reward philosophy and strategy.

This is troubling but unsurprising; troubling, because it's likely that a reward program's effectiveness is diminished when employees do not understand its purpose. Unsurprising, because it's often more difficult, and more revealing, to communicate beliefs regarding how employees should be paid and the intentions of various reward programs than it is to communicate the more specific purpose and mechanics of base and incentive pay.

It stands to reason that benefits communication is reported as effective for a variety of reasons. While benefits programs are complex, most organizations communicate them more thoroughly than other reward programs. Further, organizations tend to allocate substantial resources to their benefits communications efforts. (Interestingly, only 9 percent of the respondents in this survey reported having a separate budget for reward communications.) Organizations have a better track record with communicating benefits information, perhaps due to legal requirements to communicate.

### Organization Reward Strategy and Philosophy

Digging deeper into employee understanding of reward strategy and philosophy shows further variation (See Table 1 on page 10). Only a small number of respondents believe that most employees (61 percent or more) understand *any* of the reward strategy and philosophy subcategories that were surveyed, and, in each case, more respondents believe that only some employees (up to 40 percent of employees) understand all aspects of the reward strategy and philosophy. The least understood subcategory is the rationale for the mix of reward elements, where 70 percent of respondents reported that few or some of their employees understand the rationale for reward mix, and only 13 percent of organizations reported that most employees understand. In contrast, respondents indicated that more employees understand the

TABLE 1 Response to "Rate Employee Understanding of Reward Strategy and Philosophy"

	Some Employees (Up to 40%)	Half of Employees (41% - 60%)	Most Employees (61% or More)
The guiding principles of the overall reward program	42%	23%	35%
How the reward program links to business results	43%	22%	36%
Why certain employees are eligible for a reward program and other employees are not	46%	20%	33%
The principles and rationale for the design of the base-pay program	49%	27%	24%
Why pay targets or minimums and maximums are set at the amounts they are	59%	22%	20%
The principles and rationale for the design of the variable-pay program	50%	24%	27%
Why the organization selects the performance measures it uses for variable-pay programs	45%	22%	33%
The principles and rationale for the design of the benefits program	44%	26%	30%
How the compensation mix of base pay, variable pay and benefits was established	70%	17%	13%

Due to rounding, percentages may not total to 100%.

guiding principles of the overall reward program, how reward programs are linked to business results, employee eligibility for reward programs, and the rationale for the performance measures used in variable-pay programs. Even in these cases, however, respondents in only 33 percent to 36 percent of the organizations indicated that most employees understand these strategic reward issues.

These responses strongly suggest that most organizations are not using reward-program communications as an opportunity to reinforce possible employee influence on performance and business results. Organizations would be better served to improve the line of sight between employees' impact on the end results of the business and how this performance relationship is reflected in the organization's reward-program design and management.

Ninety-four percent of respondents reported using multiple methods to communicate reward strategy and philosophy. Of the eight surveyed methods, the median number used was six. Organizations surveyed indicate a positive link between the number of reward communications methods used and employee understanding. This underscores the importance of "strategic redundancy" in communicating and reinforcing important reward messages.

The most prevalent methods, however, are not always perceived as most effective, as shown in Table 2. The least effective methods (blogs/electronic bulletin boards and nonelectronic bulletin boards/other posting), however, were used by the fewest respondents.

There is a mix of good news and bad news here. The good news is that most organizations are using communication methods judged "effective" or "very effective,"

TABLE 2 Rate Method EFFECTIVENESS for Communicating Reward Strategy and Philosophy

	Use Method	Not Effective	Marginally Effective	Very Effective
E-mail or letter from employee's supervisor, human resources or senior management	90%	3%	36%	16%
Intranet or Internet sites, CDs/DVDs or other digital information	78%	5%	39%	19%
Printed materials, e.g., newsletters, brochures and leaflets	83%	2%	32%	18%
Individualized compensation or total rewards statements sent to employees	69%	0%	12%	52%
Meetings led by human resources or compensation professionals	83%	0%	15%	39%
Meetings led by line management	77%	3%	30%	29%
Blogs and electronic bulletin boards where an employee can react to statements others have posted	28%	25%	50%	5%
Bulletin boards or other kinds of posting in the workplace (not electronic)	51%	24%	51%	4%
Overall, how effectively does your organization communicate reward strategy and philosophy information?	-	16%	51%	7%

Due to rounding, percentages may not total to 100%.

they are using less effective methods much less, and they are using multiple methods to reinforce key messages and connect with a wide array of audiences. The bad news is that despite these efforts, only 7 percent of respondents judged their communications of reward strategy and philosophy to be "very effective," and only an additional 26 percent judged their communications to be "effective." The strong message is that communication sent does not equal communication received. Furthermore, simply one communication may not be enough to make key reward messages stick.

#### Base-pay Communications

In general, employees have a better understanding of base-pay ranges than they do of actual pay levels, as Table 3 on page 12 indicates. Organizations that widely communicate salary-range information generally do not communicate actual salary data. Even so, about one-half of respondents reported that fewer than 40 percent of their employees know the salary range for their own job. The authors' collective consulting experience has been that most employees know at least their own salary ranges, and that internal job postings do a pretty good job at revealing salary-range information for any open positions. To be sure, job-posting systems have put an unintended spotlight on reward programs — and all their warts — for many organizations. This may be forcing HR and line managers to re-evaluate what they should and should not communicate to employees. When employees do not know the salary range for their job and

TABLE 3 Rate Employee UNDERSTANDING of Base-Pay Communications

	Some Employees (Up to 40%)	Half of Employees (41% – 60%)	Most Employees (61% or More)
The salary range minimum and maximum for the position the employee holds	49%	18%	32%
Salary ranges for jobs in the employee's job family or for similar jobs	60%	17%	23%
Salary ranges for all or most jobs in the organization	71%	13%	16%
Average pay for employees in the same job or grade	67%	18%	15%
Average pay by grade for employees in the same job family	74%	15%	12%
Average pay by grade for all employees in the organization	76%	13%	11%
Actual pay for all employees	76%	11%	13%

Due to rounding, percentages may not total to 100%.

for higher-level positions to which they might aspire, it is more difficult for them to understand the different levels of contribution the organization expects from incumbents in various jobs. Thus, a major opportunity is missed to use the base-salary program to inform and influence employees' career planning and development goals.

Respondents reported widespread use of e-mail, letters, the intranet or Internet, printed materials, individual compensation reward statements, meetings with HR or compensation professionals and meetings with line management to communicate base-pay information (See Table 4).

Eighty-eight percent of respondents reported using multiple methods to communicate base-pay information. The median number of methods used was five. And the number of methods the organization used to communicate to employees was significantly related to the overall assessed effectiveness of base-pay communications.

Even though multiple methods were used to communicate base pay, and those methods were in most cases judged to be effective or very effective, more than one-half (56 percent) of the compensation professionals responded that their overall base-pay communications was ineffective or marginally effective.

#### Base-pay increases

Sixty-six percent of reward professionals believe that most of their employees understand the amount of the pay increase they will receive (See Table 5). However, 21 percent of respondents reported that up to 40 percent of employees do not know the amount of the increase they are to receive. Further, a substantial number of respondents indicated that most of their employees did not know:

- The goals, rationale or intent regarding why base-pay increases were distributed in the way they were (45 percent)

TABLE 4 Rate Method EFFECTIVENESS for Communicating Base Pay

	Use Method	Not Effective	Marginally Effective	Very Effective	Very Effective
E-mail or letter from employee's supervisor, human resources or senior management	80%	6%	32%	39%	23%
Intranet or Internet sites, CDs/DVDs or other digital information	58%	12%	37%	37%	14%
Printed materials, e.g., newsletters, brochures and leaflets	61%	8%	34%	42%	15%
Individualized compensation or total rewards statements sent to employees	69%	2%	14%	36%	48%
Meetings led by human resources or compensation professionals	74%	3%	17%	45%	35%
Meetings led by line management	73%	4%	28%	40%	28%
Blogs and electronic bulletin boards where an employee can react to statements others have posted	24%	39%	45%	16%	0%
Bulletin boards or other kinds of posting in the workplace (not electronic)	35%	35%	41%	21%	3%
Overall, how effectively does your organization communicate base-pay information?	-	15%	41%	36%	8%

Due to rounding, percentages may not total to 100%.

TABLE 5 Rate Employee UNDERSTANDING of Base-Pay Increases Communications

	Some Employees (Up to 40%)	Half of Employees (41% – 60%)	Most Employees (61% or More)
Amount of increase the individual employee will receive	21%	13%	66%
Range of increases or average increase given to employees in the same work unit or for similar jobs	47%	23%	29%
Range or average increase given to eligible employees	40%	22%	38%
Percentage of employees who received a zero increase	83%	5%	12%
Actual increase amounts given to employees within their department or work unit	67%	13%	20%
Actual increase amount given to all eligible employees	64%	13%	22%
Goals, rationale or intent of why base-pay increases were distributed the way they were	45%	25%	30%

Due to rounding, percentages may not total to 100%.

- The percentage of employees who received a zero increase (83 percent)
- The range or average increase given to employees in the same work unit or in similar jobs (47 percent), or to eligible employees (40 percent).

When employees do not understand how salary increases are determined, the average increase, the range of increases and the like, they lack the context that would enable them to understand the rationale for base-salary increases they receive (or don't receive) and how they are rewarded as compared to others in

TABLE 6 Rate Method EFFECTIVENESS for Communicating Base Pay Increases

	Use Method	Not Effective	Marginally Effective	Effective	Very Effective
E-mail or letter from employee's supervisor, human resources or senior management	76%	8%	22%	41%	29%
Intranet or Internet sites, CDs/DVDs or other digital information	52%	18%	32%	32%	18%
Printed materials, e.g., newsletters, brochures and leaflets	53%	15%	32%	35%	17%
Individualized compensation or total rewards statements sent to employees	63%	6%	11%	31%	52%
Meetings led by human resources or compensation professionals	66%	6%	17%	44%	33%
Meetings led by line management	75%	4%	22%	40%	34%
Blogs and electronic bulletin boards where an employee can react to statements others have posted	24%	41%	41%	18%	1%
Bulletin boards or other kinds of posting in the workplace (not electronic)	33%	39%	39%	20%	2%
Overall, how effectively does your organization communicate base pay increase information?	-	10%	31%	44%	15%

Due to rounding, percentages may not total to 100%.

the organization. The ability to interpret the messages given by base salary is important to the motivational value of those increases.

As shown in Table 6, the most widely used methods to communicate base-pay increases are e-mails or letters and meetings with line management. What's more, 79 percent of respondents reported using more than one method to communicate base-pay increases. The median number of methods is four. Each method surveyed is used by more than one-half of respondents, except for blogs and bulletin boards, which were considered ineffective or marginally effective by most respondents who use them.

Overall, 59 percent of the respondents believe they effectively communicate pay-increase information. Organizations using multiple methods to communicate base-pay increase information consider themselves to be effective at communicating this information.

#### Short-term Variable Pay

Seventy percent of organizations communicate variable-pay performance targets to their employees and, as such, 30 percent either do not establish variable-pay targets or do not communicate them to employees. Further, the authors' work found that a majority of the organizations communicate targets, and few communicate the average, which is as follows:

- Payout based on performance targets (20 percent)

TABLE 7 Rate Method EFFECTIVENESS for Communicating Short-term Variable Pay

	Use Method	Not Effective	Marginally Effective	Effective	Very Effective
E-mail or letter from employee's supervisor, human resources or senior management	75%	6%	21%	45%	28%
Intranet or Internet sites, CDs/DVDs or other digital information	50%	13%	34%	34%	19%
Printed materials, e.g., newsletters, brochures and leaflets	55%	3%	30%	44%	22%
Individualized compensation or total rewards statements sent to employees	64%	3%	14%	32%	51%
Meetings led by line management	70%	4%	20%	41%	34%
Blogs and electronic bulletin boards where an employee can react to statements others have posted	22%	37%	45%	15%	4%
Bulletin boards or other kinds of posting in the workplace (not electronic)	29%	32%	40%	22%	6%
How effectively does your organization's short-term variable-pay communications describe the link between performance and rewards?	-	9%	32%	41%	18%
Overall, how effectively does your organization communicate short-term variable-pay information?	-	9%	32%	46%	13%

Due to rounding, percentages may not total to 100%.

- Payout for each level of performance (14 percent)

- Amount of variable pay distributed to eligible employees (11 percent).

According to respondents, the most effective methods for communicating information about short-term variable pay are e-mail or letters from the employee's supervisor, human resources or senior management; printed materials; individualized compensation or total rewards statements sent to employees; and meetings led by line management (See Table 7). Fifty-nine percent of respondents indicated that they believe their organization effectively communicates variable-pay information and the link between performance and rewards. Blogs and electronic and traditional bulletin boards are used infrequently and are most often rated ineffective or marginally effective. Again, the more methods used to communicate short-term variable-pay information, the higher respondents rated the effectiveness of their variable-pay communications.

#### Employee Benefits

Other than blogs and electronic or traditional bulletin boards, respondents use most methods to communicate their benefits programs and rate them as effective (See Table 8 on page 16). The authors suspect the legal requirements to communicate benefits-program details heavily influence these ratings. Overall, 81 percent of the respondents reported that their organizations were effective or very effective in communicating benefits information.

TABLE 8 Rate Method EFFECTIVENESS for Communicating Employee Benefits

Use Method	Not Effective	Marginally Effective	Effective	Very Effective
E-mail or letter from employee's supervisor, human resources or senior management	88%	4%	20%	32%
Intranet or Internet sites, CDs/DVDs or other digital information	90%	3%	48%	35%
Printed materials, e.g., newsletters, brochures and leaflets	96%	1%	46%	38%
Individualized compensation or total rewards statements sent to employees	68%	2%	39%	49%
Meetings led by human resources or compensation professionals	90%	1%	43%	46%
Meetings led by line management	59%	7%	40%	21%
Blogs and electronic bulletin boards where an employee can react to statements others have posted	26%	27%	26%	7%
Bulletin boards or other kinds of posting in the workplace (not electronic)	56%	14%	36%	9%
Overall, how effectively does your organization communicate employee-benefits information?	—	2%	51%	30%

Due to rounding, percentages may not total to 100%.

### Opportunities to Improve Communications

This study has revealed several promising ways to connect with employees and explain the intent of reward programs and the approach used to determine individual pay levels. They are:

- Take a page from marketing
- Involve line managers
- Pilot test and evaluate
- Engage employees in a benefits conversation
- Establish a communications budget.

While some of these approaches are more involved than others, each can help employees acquire a better understanding about how their rewards are determined and why they are paid what they are paid. The correct mix of approaches can give organizations "more bang for their buck," thus increasing the "total value" of the reward program without spending any additional reward dollars.

**Take a Page from Marketing.** Few organizations use marketing strategies and tools to communicate reward policies and programs such as branded reward programs (24 percent), segmented communications to specific employee groups (25 percent) or using promotions or contests (16 percent). Organizations applying these marketing techniques did so with success, indicating they were effective or very effective: 56 percent, 74 percent and 49 percent, respectively. Segmenting employee groups and tailoring reward communications to these groups can help connect messages with the audience. McDonald's Corp. has a particularly effective

way of branding its reward communications and actively marketing its reward program to employees (Emerson, Morajda and Scott 2007). McDonald's used the phrase "adding it up" as a byline for all compensation communications, which was a variation of its successful and well-known "I'm lovin' it." The company also used similar colors for communications and dramatic pictures to draw attention to the compensation communications. Finally, McDonald's used multiple media including printed materials, Web sites and e-mail blasts.

**Involve Line Managers.** Respondents indicated that line managers tend to be either marginally effective (59 percent) or not effective (20 percent) in communicating rewards. This is certainly discouraging news. But it's also a huge opportunity. Organizations can and should leverage the line manager's role to reinforce the objectives and key concepts of reward programs, field questions employees might have and (hopefully) limit rumors or inaccuracies that inevitably bubble up. However, this will only occur if managers understand and support the reward programs and take on a sense of ownership of them. Employees expect a lot out of their managers and tend to trust the information they receive from them. Whether viewed as "parental figures" or standard bearers of the organization's values, line managers shape the work climate — in essence what it feels like to work in the organization. As the adage goes, employees don't leave bad organizations, they leave bad managers.

**Pilot Test and Evaluate.** A third opportunity to improve pay communications and enhance employee understanding comes as a product of a formal evaluation of reward-program effectiveness, something most organizations do not do. Those that evaluate reward programs and, in particular, pilot test them before implementation rate their communications programs as more effective than those who do not. It's common sense that evaluating the effectiveness of reward programs would yield valuable insights into how to improve them, especially in terms of their alignment with the organization's strategy. A specific approach for evaluating reward programs is detailed in a *WorldatWork Journal* paper by Scott, Morajda and McMullen (2006).

**Engage Employees in a Benefits Conversation.** Health-care cost management and retirement investing are two important opportunities to communicate. As organizations are asking employees to take greater responsibility for their health-care and retirement decisions, and in many cases, requiring that employees pay for a much larger share of these benefits, organizations are obliged to educate their employees on how to make sound decisions.

Forty-nine percent of the organizations that responded offer employees the opportunity to attend retirement-investment training, and 79 percent indicated that the training is effective. However, only 29 percent of organizations report offering such training. This indicates that a large percentage of companies that do not provide retirement-investment training should, and for those who do, finding ways to increase the participation rate is important.

## RESOURCES PLUS

For more information related to this paper:

[www.worldatwork.org](http://www.worldatwork.org)

Type in this search phrase on the search line:

■ "Benefits Communication."

[www.worldatwork.org/bookstore](http://www.worldatwork.org/bookstore)

■ *Developing a Strategic Benefits Program: How-to Series for the HR Professional*

■ *The Best of Communicating Total Rewards: A Collection of Articles from WorldatWork*

■ *Communicating Total Rewards: How-to Series for the HR Professional*

[www.worldatwork.org/education](http://www.worldatwork.org/education)

■ T4: Strategic Communication in Total Rewards.

This same rationale can be applied to helping employees understand and manage their own health-care costs. Few companies offer such training (22 percent), and yet 73 percent of those that do, consider it effective. More can and should be done to engage employees in a conversation about health-care cost management. Only 39 percent of employees take advantage of this opportunity in those organizations that offer such training. A huge opportunity exists to communicate important information regarding the ever-growing issue of health-care cost management.

**Establish a Communications Budget.** Only 9 percent of the organizations create a separate budget for communicating information about rewards. Although most organizations invest at least minimal resources to communicate new reward programs and changes to existing programs, one must ask the question of whether organizations are making enough of an investment in reward-program communications. The authors believe that budgeting for reward communications at both the development and implementation stages of reward programs as well as for ongoing communications would increase the likelihood that these communications would be done more effectively.

## CONCLUSIONS

Even though the reported level of employee understanding of reward programs is low, respondents strongly believe that reward communications impact:

- Organization effectiveness and performance (78 percent)
- Employee satisfaction with pay (81 percent)
- Employee retention (79 percent)
- Employee engagement or motivation (78 percent).

Interestingly, reward professionals believe that certain methods of communicating rewards are very effective, but employee understanding of even some basic reward information is lacking. Does this mean that methods used to communicate reward information are, in reality, not very effective at all, or that most employees are generally not interested in this information?

The authors are not certain. Employee lack of understanding can likely be attributed to some of both. However, given the importance of having employees understand the fundamentals of their organization's reward programs, this gap cannot be ignored.

While this paper describes ways to improve reward communications, a fundamental review of reward communications is needed in many organizations. To develop effective reward communications, organizations should:

- Articulate the purpose of the communications, to make clear what they want employees to do or understand as result of the communications.
- Take the time to understand the needs and the characteristics of the audience, and to tailor key messages to the diverse interests and motivations of the employee population.
- Consider using individualized total rewards statements to communicate the value of total rewards.
- Employ "strategic redundancy" in communicating core reward messages through a variety of media and methods.
- Involve senior leaders and line managers in reward communications, but prepare them first.
- Evaluate the effectiveness of reward communications to ensure that they enhance employee understanding.

The research reflected in this paper suggests that organizations need not just have the conviction to communicate their reward programs better, they also need to plan and budget for these communications. In the end, an organization's investment in reward communications is small when compared to the size of reward investment and the overall return on investment that reward communications can yield if employees understand the reward program and the purpose of that program. ■

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## A Framework for Conducting Work-Life Return on Investment

**B**usinesses increasingly are demanding that their investments provide a return on investment (ROI). However, quantifying less tangible benefits, such as employee attitudes, performance, training and other talent-management factors, can be difficult. Simply compiling usage figures and extrapolating savings is a step in the right direction, but is not enough. Human behavior is complicated and not easily quantifiable. It requires more complex analysis to determine an accurate estimate of the financial return gained through personnel programs.

This paper presents a model and approach toward measuring ROI for work-life initiatives that is quantifiable, research-based and inclusive of a number of the key outcomes often associated with these programs. This model builds upon evidence that the type, quality and quantity of work-life benefits offered in an organization can have an immediate impact on employees' job perceptions, beliefs and attitudes. In turn, these factors influence important (and costly) outcomes, including turnover and job performance. Specifically, the authors draw upon evidence that work-life benefits positively affect perceptions that the organization is supportive of employees and their families, and that work-life benefits decrease work-life conflict (Allen 2001; Casper 2000; Thomas and Ganster 1995). Both of these concepts have been found to relate to two important employee attitudes: job satisfaction and organizational commitment (Kossek and Ozeki 1998; Meyer et al. 2002; Rhoades and Eisenberger 2002). In turn, these attitudes predict turnover and job performance (Judge et al. 2001; Meyer et al. 2002; Tett and Meyer 1993), two concepts that can be translated much more readily into dollar amounts (See Figure 1 on page 22).



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