

International HR and Employment Law Conference: Reward Models in 2023

Compensation and benefits in the context of employee engagement

Morten Broekner | May 25 2023



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- 01 Who am I**
- 02 Reward Models in 2023**
- 03 Engaging Employees**
- 04 Emerging Trends in Reward**
- 06 A Fair Pay practice through Pay Transparency**
- 06 Panel Discussion**

Morten Brøkner_

Executive Advisor

Morten started his career in the early 2003 and has worked within Performance & Reward for almost 20 years. He is an experienced Senior Reward Leader with proven success in creating reward strategies linked to the corporate strategy. He has designed and deployed policies and procedures within Performance & Reward in several top 50 companies in Denmark.

Morten also has a proven track record in clarifying scope, designing and implementing both Long-Term and Short-Term incentive programs for Executives that underpins the company's performance.

Key results:

- Successful development, implementation and governance of group remuneration programs.
- Successful development of entire Reward departments, including training of reward specialists.
- Proven track record in implementing executive remuneration, hereunder extensive experience with design and implementation of short- and long-term incentive programs.
- Trusted advisor to the Board and Executive Directors.



Career highlights

Klar Reward Agency

Executive Reward Advisor

Brøkner Executive Reward Advice

Executive Reward Advisor

Ramboll Group

Director | Global Reward & Mobility

Carlsberg Group

Vice President | Global Reward

Arla Foods

Senior Director | Global Reward

The LEGO Group

Director | Global Reward

Danfoss

Senior Manager | Global Reward

Education

Aarhus School of Business

Master of Science | Business Administration

WorldatWork

Global Remuneration Professional

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Reward models over time....

.... ⇒ 2010: Reward Management

Main focus on

- Quality in payroll and tax compliance
- Managers self-service
- Employee self-service
- Flexible benefits & tax optimization
- Procurement deals through empl. discounts

2010-2019: Reward Governance

Main focus on

- Risk and liability
- GDPR
- Cost containment
- Internal decision authority
- Reporting on Equal Pay
- Reporting on Exec Pay ratios
- Shareholder rights

2020 ⇒ Reward Value Proposition

Main focus on

- Pay Equality ⇒ **FAIRNESS**
 - Transparency through legislation (USA & EU)
 - The full employment deal – flexibility (post covid) and new ways of being employed
 - Working for a sustainable employer with high standards
 - **Own focus on job satisfaction and contributing to a better world**
- ⇒ **Require the employer to ensure fair and trustworthy employment terms**

Total Reward Model

WorldatWork's definition of Total Reward is everything that employees value in the employment relationship.



Engaging Reward Model

Components of building a governance structure for building an Engaging Reward Model.



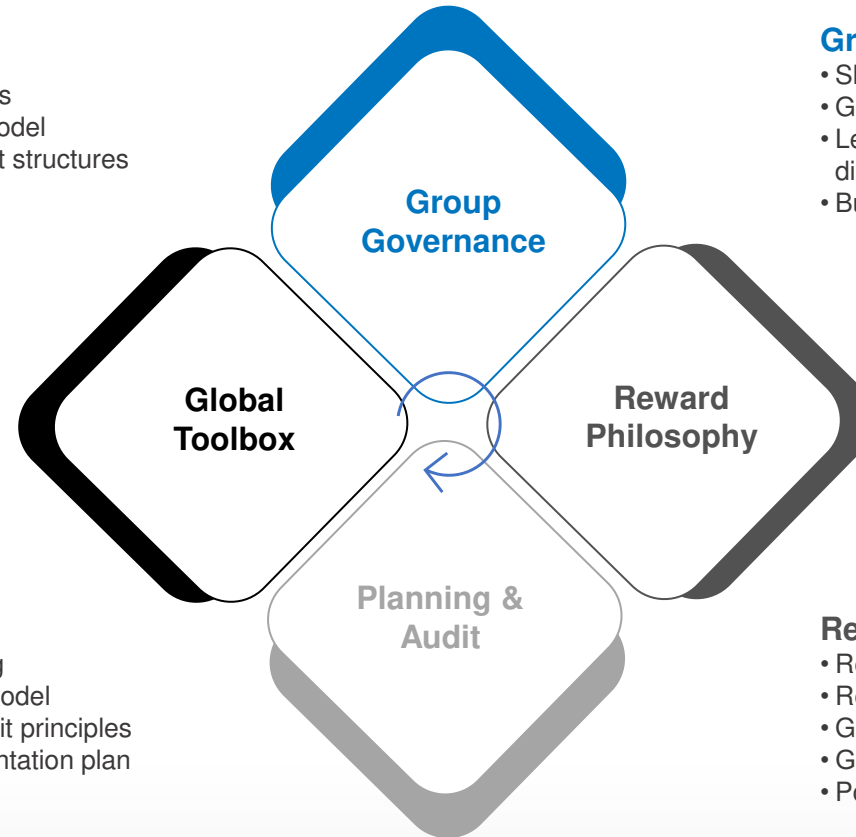
Implementing an Engaging Reward Model

Global Toolbox

- Core Job Architecture
- Grading & title structures
- Salary bands & merit model
- Variable pay and benefit structures
- Mobility model
- HRIS platform

Group Governance

- Shareholder relations
- Group C&B committee
- Legislative compliance – new EU directive on transparency
- Build Reward Infrastructure



Planning & Audit

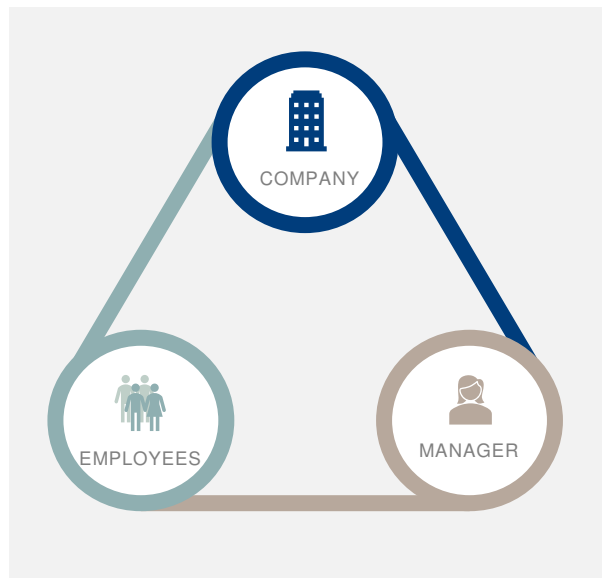
- Implementation planning
- Change management model
- Implementation and audit principles
- Global phased implementation plan

Reward Philosophy

- Reward philosophy
- Reward value drivers
- Global design principles
- Governance RAID's
- Policy framework

Reward Value Drivers

- building a long-term sustainable Reward Model



The Company

A sustainable, ethical and cost-effective reward model that attracts, engage and retains the right people and at the same time drives increased performance

The Leader

An agile and compelling leadership tool that enables the right decision to drive individual performance and attract & retain the right people

The Employee

A clear understanding of how their job fits into the organisation and that compensation is directly linked to this, as well as the broader job market – and not least their individual contribution. It is not so much about the money as it is about communication, perceived fairness and trust

Communicating an Engaging Reward Value proposition

Engage with Candidates

- Make your overall reward philosophy and framework available to all current and future employees;
- Plan guides, bonus- and merit letters, and benefits brochures
- Offer letters and TA communication
- On web & SoMe – promise a fair and transparent value-based deal

Engage with your People

- Make sure to reach all your people in a consistent and transparent way
- Focus on fairness and suitable allocation of reward to all people in the organization
- Remember that leaders are employees too
- Build in key reward messaging into all reward (or HR) core processes
- Be consistent in tangible delivery of reward communication – through pay documents and people communication etc.



Reward Philosophy

- Define the company reward philosophy in a clear language
- Ensure the reward value drivers are relevant
- Make sure the reward principles fits your organization
- Prepare a transparent governance structure
- Ensure a consistent policy framework

Engage with your People Leaders

- Ensure top mgt. buy-in to the reward philosophy
- Define clear reward value drivers for leaders
- Prepare cascaded messaging from exec's to line mgr.'s
- Build it into relevant leadership training - JiT eLearning or leadership certification
- Follow-up on deployment and impact – minimum to all new people leaders in the organization

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What is Employee Engagement?

What Drives Employee Engagement?

- The Person
- The Job
- The Leadership
- The Work Environment
- The Organization/Company

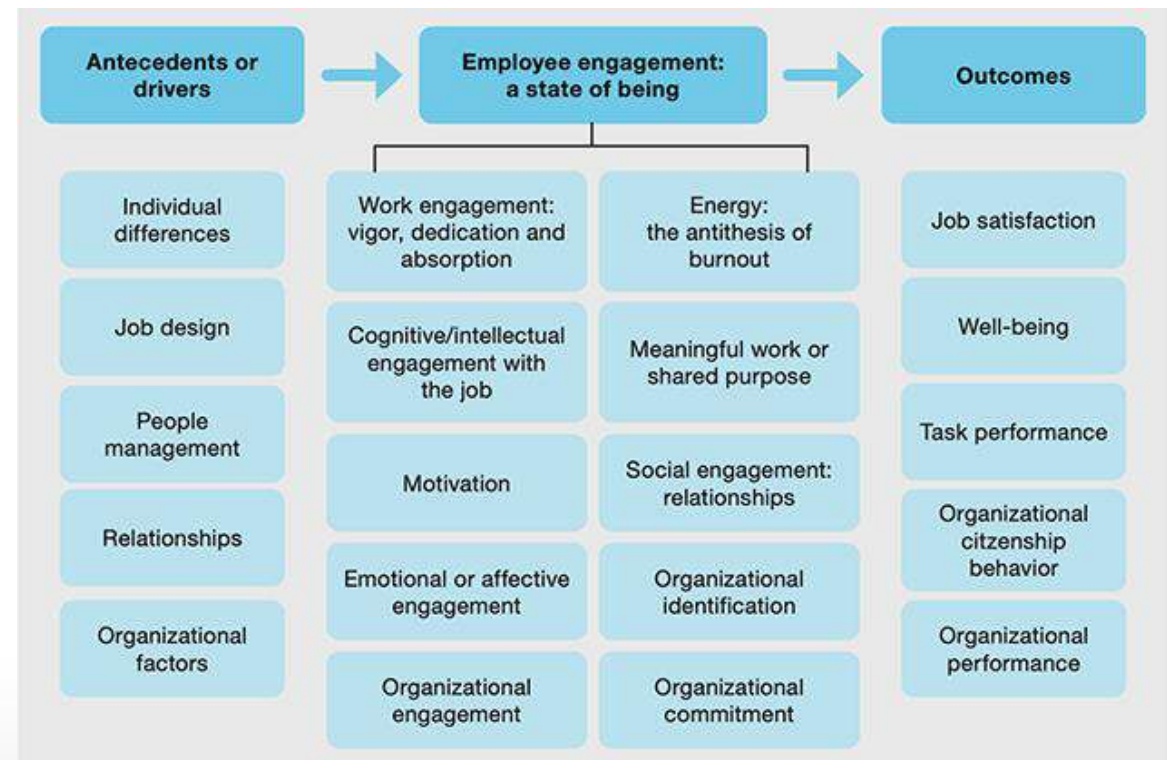
What defines Employee Engagement?

- Dedication to the Work
- Intellectual connected to the Job
- Motivated & Energized
- Meaningful Purpose
- Social Relationship
- Identify with the Company

What does Employee Engagement provide?

- Increased satisfaction
- Increased wellbeing
- Increased belonging
- **And Increased Performance...**

A model of employee engagement as an umbrella term



<https://www.cipd.org> -> Employee engagement: definitions, measures and outcomes, 2021

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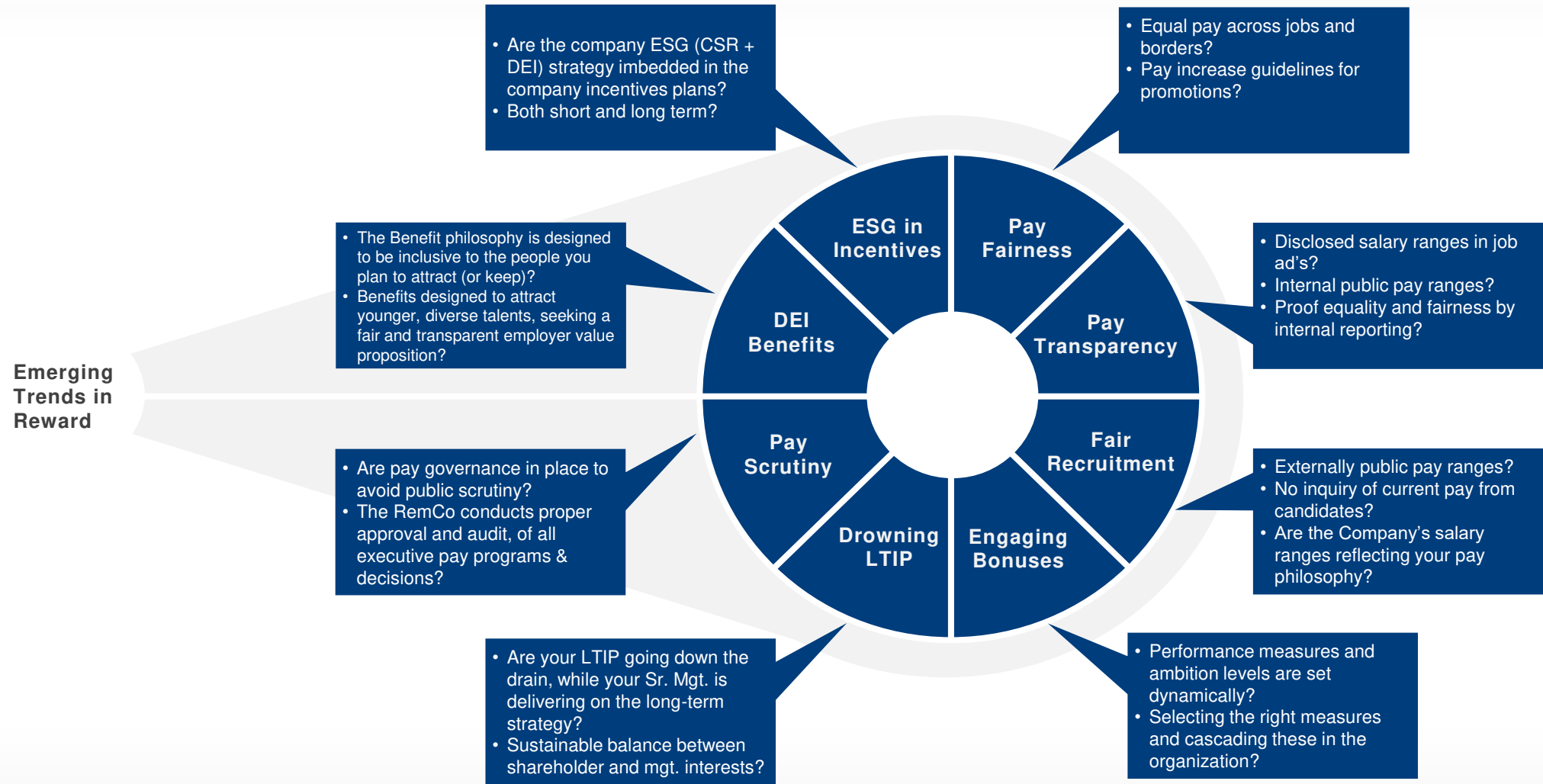
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Pay Transparency is coming → new EU Directive

New EU Directive on Pay Transparency

- A new directive has been decided in the EU parliament
- ... and the directive has been formally approved by the EU council
- Member states will have three years to implement it into national law

The key elements are:

- Pay transparency for job-seekers
- Right to information for employees
- Reporting on gender pay
- Joint pay assessment
- Burden of proof

(Source: [New EU rules for pay transparency \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic-new-eu-rules-for-pay-transparency-2022-11-10-1000x500.pdf))

Pay Fairness

Pay Fairness

- The approved EU directive on Pay Transparency (10/05/2023)
- Most companies focus more on external competitiveness than internal equity ⇒ lack of equal pay and pay progression when promoting people to a bigger job etc.
- Today's trend is that people are looking for employers where the offered pay is "right", and not mainly driven by a person's pay history and negotiation skills
- More people are looking for "the fair employment deal" – not only pay but also company fairness towards all, transparency and not least high ethically standards when it comes to e.g. executive pay.

Opportunities & Challenges

- Are you ready to STOP asking your candidates for their current pay when hiring?
- Are you a fair and transparent employer where people can trust the pay OFFERED to be right?
- What drives allocation of pay? (position, skills, behavior, efforts or results)
- WOKE people want their employer to behave right!
- ... and so does the boomers...!

Pay Transparency

Pay Transparency

- The approved EU directive on Pay Transparency (10/05/2023)
- Both government institutions and employees, wants fair and equal pay for equal jobs – yesterday...
- Mandatory disclosed salary ranges in external job ad's
- Employers will not be allowed to ask candidates about their current pay
- Employees will have the right to request information on the average pay levels, by gender and for same job of equal value
- Consequently, leading to public internal salary ranges and scrutiny.

Opportunities & Challenges

- Do you have salary ranges ready to be published on external & internal job ad's?
- Do you have the majority of your people's salary aligned to their salary ranges, with min. 80+/- paid fairly inside these?
- ... **AND** are your people leaders ready to handle public pay discussions on "YAMMER" once these becomes talk of the town?
- Are you ready to proof equality and fairness by internal reporting to your people?

Fair Recruitment

Fair Recruitment

- The approved EU Directive on Equal Pay and Transparency – “Employers will not be allowed to ask prospective workers about their pay history”
- Most companies do not have implemented salary ranges that supports their competitive pay philosophy - i.e. they go to market “blindfolded”.
- Nor do they have their people’s salary aligned to these ranges with min. 80+% paid fairly inside these. i.e. ready to receive new hires without messing up team dynamics.
- Both government institutions and employees, wants pay transparency – NOW!

Opportunities & Challenges

- Are you ready to **not ask** your candidates for their current pay anymore?
- Are your company’s salary ranges reflecting your competitive pay philosophy already?
- ... and your people are paid fairly within these?

THEN YOU ARE GOOD TO GO: you can offer the right pay and people will fit right in your salary structures!

The road towards a Fair and Transparent Reward practice

4. Communicate and Govern

- Communicate the new Reward Value proposition to all existing and future employees
- Engage HR partners and people leaders in delivering the message and “walk the talk”
- Ensure owner and sr. mgt. commitment to deliver the changes
- Ensure a clear process for how to follow-up and govern the reward model

3. Embed in People Processes

- Implement the new Reward model across the cores reward elements;
 - **Backbone:** Transparent Job Architecture and policy practices
 - **Base:** Fair salary review & consistent pay setting for hiring and promotions
 - **Incentives:** Consistent allocation, and unbiased evaluation, of incentive levels and payout ratio
 - **Benefits:** Inclusive benefits designed to attract younger, diverse talents for tomorrow's company



1. Maturity Assessment

- 360° assessment of existing Reward and HR processes and practices
- Internal Pay Equity analysis
- External market benchmark analysis
- Survey Employee Engagement (in annual EES)
- Quality and consistency in current Reward and talent mgt. practices

2. Reward Philosophy

- The Reward Philosophy states the purpose and the key components of reward
- The cores Reward principles for how to design and implement the Reward model
- A binding promise to deliver a fair, transparent and sustainable pay practice to People, Leaders and Owners

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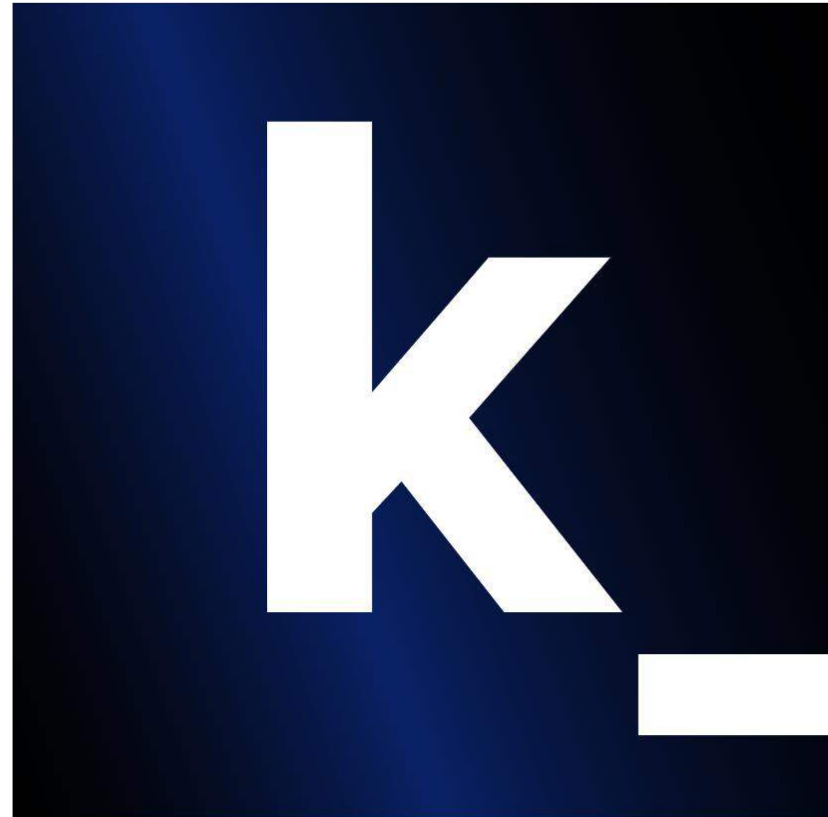
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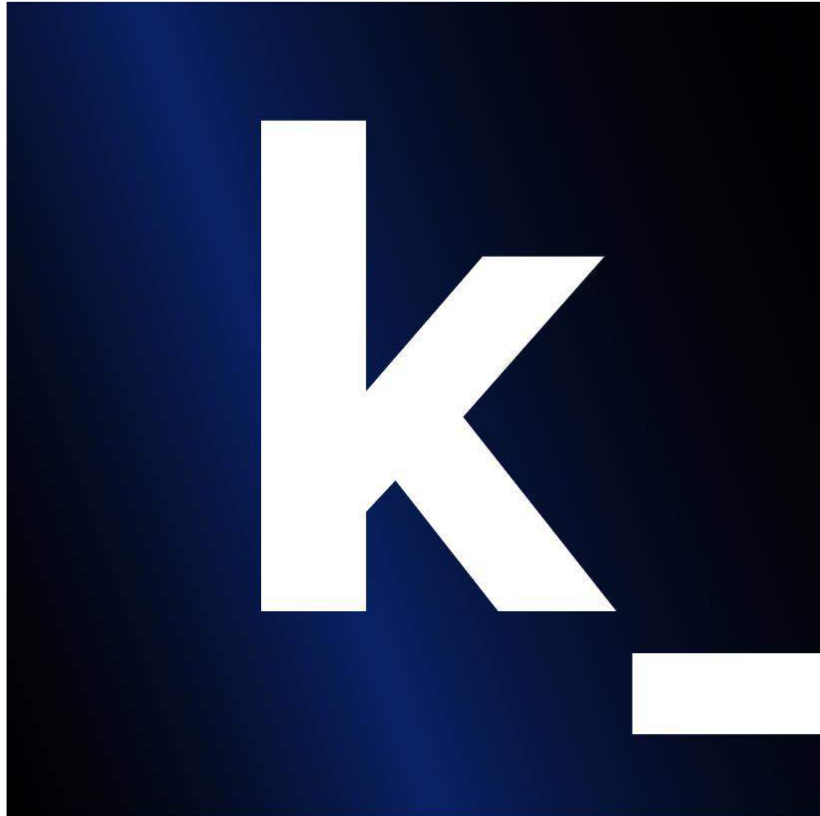
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Panel Discussion





Klar Reward Agency_

For more tips and insights:

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