



Win the Talent War by Delivering Differentiated Pay and Benefits

How to Create a Successful Workforce Rewards Program by Using HCM Technology



"Companies that continue to whine about talent shortages are going to fail. If your customers don't come around and buy your merchandise, are you going to put out a press release complaining about buyer shortages? No. You know that it's your job to make your firm appealing to buyers. It's your job to make your firm and your opportunities appealing to job-seekers, too."

Liz Ryan, "Employers Need to Stop Whining About Talent Shortages"
Forbes.com (blog), March 28, 2014, forbes.com/sites/lizryan/2014/03/28/employers-need-to-stop-whining-about-talent-shortages

That global enterprises continue to face talent shortages should come as no surprise to HR organizations or the C-suite executives who support them. This is a lament they've been hearing for more than a decade. What might come as news, however, is just how acute those shortages have become. In 2014, ManpowerGroup's Ninth Annual Talent Shortage Survey revealed a seven-year high in the number of employers—*36 percent*—reporting problems recruiting and retaining key workers. Even more surprising, this same study reported that not even one in five global employers are pursuing strategies to address talent shortages. All of which begs the question: Why not—especially, when doing so could confer significant competitive advantage? The answer: *complexity*.

"In the current environment of shifting demographics and skill gaps, sustained profitable growth requires aligning the goals and objectives of your [employee value proposition] and total rewards strategy with those of the business. It requires promoting a culture that attracts and retains the talent with the skills and competencies your organization needs, both now and in the future."

**Towers Watson, 2013–2014
Talent Management and
Rewards Study, North America**



FACT: More than 50 percent of employers experiencing a talent shortage say that this scarcity has a medium to high impact on their ability to meet client needs.

ManpowerGroup, "The Talent Shortage Continues: How the Ever-Changing Role of HR Can Bridge the Gap," 2014



USING TECHNOLOGY TO DRIVE TOTAL REWARDS

- » Provide a complete compensation picture to workers and administrators
- » Deliver online benefits statements to diverse populations
- » Enable employees to customize rewards packages
- » Integrate compensation and benefits with payroll
- » Link individual rewards and corporate goals
- » Comply with industry standards, and local customs and regulations
- » Provide visibility into overall compensation trends
- » Enforce compensation business rules
- » Monitor and manage global total rewards
- » Analyze, model, budget, and allocate compensation pools

The Key: Cutting Through Complexity with an Integrated Workforce Rewards System

As any HR pro will tell you, it takes more than just appealing jobs and a pleasant work environment to attract top-performing employees. Today's multigenerational workforce expects more, and savvy enterprises are beginning to meet their demands with compensation packages that move beyond traditional pay structures to blend monetary and nonmonetary rewards based on the preferences of various segments of the workforce.

This means adding things such as stock options, flexible schedules, advanced degree programs, variable medical benefits and retirement plans, vacation time, and periodic bonuses to the rewards mix. It also means communicating all these options to employees on an ongoing basis and aligning rewards not only with employee performance but also with the overall success of the enterprise.

Sound complex? It is—especially when you add in the pressure to contain costs, maintain transparency and accountability, and adapt each reward program to the unique requirements of individual organizations and locales.

But not to worry: the best rewards programs rely on human capital management (HCM) technology to cut through this complexity by automating a variety of technical, administrative, and analytic tasks. An integrated workforce rewards system links compensation and benefits with payroll, and draws on information from across the HR function to allow you to adopt the following best practices:

- **Segment your way to success.** In a decade when global unemployment numbers have remained stubbornly high, it may seem paradoxical that employers across all industries are having a tough time filling key positions. The fact is, though, that not all talent is equal, and the first step in creating a successful rewards program is identifying the roles and skill sets that are most critical to your organization, and then providing the compensation packages that will allow you to hire and retain them.
- **Link pay with performance to provide differentiated compensation.** With salary-increase budgets averaging below 3 percent, it's hard to attract and reward top performers with base pay alone. Variable compensation plans provide a flexible alternative, allowing organizations to tie rewards directly to the metrics that best drive their success.

FACT: Companies that have adopted an integrated approach to total rewards supported by an overarching employee value proposition are **five times** more likely to report highly engaged employees and **two times** more likely to report financial performance significantly above their peers.

Towers Watson, 2013–2014 Talent Management and Rewards Study, North America



- **Deliver clarity and transparency.** Rewarding top performers is a fine strategy—as long as everyone understands what it takes to be a top performer. Make better-informed decisions about compensation by using HCM technology to access real-time data, decision support, and analytics. And use the employee portals and online compensation statements that are part of that system to ensure that every employee understands the pay, benefits, and incentives available to them through your total rewards program.
- **Provide a flexible technology platform.** Choose solutions that enable you to navigate the dizzying array of global compensation plan components and their associated regulatory requirements with ease. Adapting your total rewards offerings to employees' changing preferences keeps you ahead in the increasingly tight race for talent. An integrated total rewards system can automate compensation allocation across the workforce and provide you with insight into benefits and compensation trends, employee performance, pay history, and more via advanced analytics and embedded dashboards.
- **Make it social; make it mobile.** Ensure a continuous feedback loop with employees by making all of their compensation, benefit, and payroll information available on the mobile devices they use every day. Then incorporate social media tools to provide real-time interaction and immediate feedback.

THE COMPONENTS: WHAT YOU NEED TO ADMINISTER A SUCCESSFUL TOTAL REWARDS PROGRAM

Not surprisingly, a total rewards program requires a totality of information, and neither manual processes nor disparate systems with disconnected data will provide that. To achieve a 360-degree view of compensation and benefits across all employee segments, communicate that information to a diverse population of workers, enable staff to choose the reward options that best suit their needs, and then administer those packages efficiently, you need an integrated workforce rewards system that links three critical areas:

- Compensation
- Benefits
- Payroll

The following sections describe such a system as it pertains to each of these areas.

“Organizations have come to face the reality that their workforces are intergenerational, and what may work for one generation in the total rewards program doesn’t necessarily work for the others,” says Yon-Loon Chen, senior manager at Deloitte Consulting. “It will be imperative for organizations to have a flexible total rewards program that will support all its employees as they progress through their careers.”

“Deloitte: Study Shows Global Talent Squeeze Continues to Affect Employers,” April 29, 2014, Deloitte.com



KEY FEATURES OF AN EFFECTIVE COMPENSATION PLANNING SYSTEM

- » Configurable total compensation platform
- » Global total compensation budget dashboard
- » Integration with performance, goals, benefits, and payroll
- » Base salary and merit increase planning
- » Incentives and bonus planning
- » Equity, stock, and long-term incentive planning
- » Total rewards statements
- » Notifications and alerts to guide managers

Compensation

At the center of any total rewards programs is compensation: how much, and in what forms, organizations pay employees for their efforts. As the most visible and costly component of any total rewards strategy, compensation programs present a dual challenge for employers, who must figure out not only what incentives will attract and retain top talent, but how much to offer without breaking the budget. Increasingly, this has meant linking pay to performance.

In fact, 9 out of 10 employers are now offering incentive programs and differentiated compensation to recognize and reward workers for meeting individual and organizational goals.¹ Employees get the satisfaction of participating in their organizations' success, and employers are able to control costs with a rewards pool that grows and recedes with the company's profits.

Integrated workforce rewards systems enable this variable-pay model by linking data from performance management systems to the employee records, security structures, and hierarchies contained in core HCM systems. With a central view into compensation and the ability to model an unlimited number of plans, it's easy to link pay to performance, and distribute budgets and awards accordingly. Having such a system helps ensure that the following compensation best practices are adhered to:

- **Manage globally.** Analyze, model, budget, and allocate compensation across borders and boundaries. Enter and view compensation in the currency of your choice, and take advantage of configurable global approvals processes to ensure accountability.
- **Allocate strategically.** Get the best return on your compensation investments by configuring eligibility rules and allocation guidelines specific to your organization. Then rely on alerts and warnings to help managers enforce them.
- **Implement flexibly.** Make sure that compensation strategies evolve with your business: Let administrators quickly create, model, and roll out new plans, and allow managers to enter performance and job data along with compensation changes.
- **Communicate openly.** Keep everyone engaged and informed with easily configurable compensation letters and statements. In these communiqués, you can show every-thing from employer/employee costs to contributions to different types of reward programs.
- **Put pay-for-performance at the center of it all.** Incorporate performance data into every aspect of compensation management. Then make it easy for managers to access and use that data to inform their budgeting and compensation decisions.

¹ Towers Watson, 2013–2014 Talent Management and Rewards Study, North America.

FACT: A majority of employees agree that having benefits customized to their needs would increase their loyalty to employers.

MetLife's 12th Annual U.S. Employee Benefit Trends Study, 2014

Benefits

If compensation is the most visible component of a total rewards plan, benefits runs a close second—and rightly so. It's no secret that in uncertain economic times, health and retirement benefits can add significant value to total rewards packages. Not surprisingly, employees want the ability to customize their plans accordingly according to their unique needs.

Employers, too, understand the value of adding differentiated benefits and providing employees with the ability to choose. They also understand the cost and complexity associated with doing so. Indeed, in a recent Deloitte survey, global HR professionals identified the rising costs of providing benefits as a top concern.² And it's not just the money poured into such programs they're worried about; the labor costs associated with administering them keep HR executives up at night as well.

An integrated workforce rewards system alleviates such worries by providing a global, automated rules-based application that allows organizations to manage and deliver benefits programs that meet strategic objectives and fulfill employee demands.

As a result, employers are able to apply the following benefits best practices:

- **Empower employees with choice and self-service.** A good benefits system supports everything from one-size-fits-all benefits to highly complex plans targeting different segments of the workforce. Let employees choose their benefits from a selection of “cafeteria-style” options. And let them use “flex credits” to buy and sell benefits to assemble just the right package for themselves. Finally, deliver it all through an easy-to-understand interface that guides users through benefits selection and provides a high-level view of enrollments, costs, coverage, and more.
- **Empower HR with flexible plan design and automated administration.** Employ a flexible design process to create benefits programs that integrate a variety of plans to meet individual and organizational needs. Configure eligibility and rate calculation without modifying application code. And evaluate and assess each employee to deliver personalized benefits programs. Provide the tools your HR needs to streamline enrollment processing and manage benefits processes triggered by life events.
- **Empower the enterprise with strategic and cultural alignment.** Since everything from business objectives to industry type, location, and employee demographics help shape benefit plan requirements, the system you choose must be able to integrate data from across HR for a plan that meets all of your employees' needs.

KEY FEATURES OF AN EFFECTIVE BENEFITS PLANNING SYSTEM

- » Cafeteria style
- » Flex credits
- » Self-service enrollment
- » Sophisticated and configurable life event management
- » Life event processing
- » Rules-based benefits
- » Flexible program, plan, and option design
- » Quick program creation
- » Easy plan extract and import for testing
- » Benefits Extract HR-XML file for carriers

² Deloitte, International Society of Certified Employee Benefit Specialists, and the International Foundation of Employee Benefit Plans, 2014 Global Top Five Total Rewards Priorities Survey.



TOP THREE BENEFITS OF STRATEGIC PAYROLL MANAGEMENT

- **Reduced costs through streamlined administration**—driving efficiency and accuracy with wizards, design templates, dashboards, and checklists
- **Less risk**—thanks to a single global rules engine, country extensions and statutory compliance, and embedded business intelligence
- **More flexibility and control**—integrating international HCM and payroll interfaces, and modeling for multinational and multibusiness-unit organizations



Payroll

Everyone needs to get paid; it's as simple as that. Yet in an age of variable-pay mechanisms, total rewards programs, and global workforces, the processes for paying employees have become increasingly complex. For modern payroll operations, it's not just a matter of providing accurate, efficient, and transparent processes in the face of massive differentiation. It's also about complying with a long list of local, national, and international rules in a rapidly changing, hyperregulatory environment—and doing it all in such a way that payment comes off without a hitch.

Many organizations are finding that the answer lies in technology—turning to rules-based payroll systems that link back to compensation and benefits, and draw on data from throughout the enterprise to address the complexities of total rewards plans. Making use of dashboards, checklists, and wizards to provide real-time access to information, easy configuration of payroll processing steps, and processes that can be adapted to the unique practices of each employer and employee, such systems pave the way to adopting the following payroll best practices:

- **Establish discipline and manage expectations.** Whether you have strict deadlines for time sheet submission and check-cutting or flexible policies that cater to the unique needs of your employees, the rules that govern your payroll process should be easily configured and communicated via the dashboards and checklists provided by your payroll system.
- **Demand accountability and transparency.** Clear rules require clear lines of command. Thus, it's HR's job to make sure that managers and employees alike understand their responsibilities in the payroll process. A good payroll system provides dashboards that enable staff to proactively monitor processes and take corrective action.
- **Facilitate employee self-service.** Use those same dashboards to empower employees, decrease errors, and reduce administration by allowing workers to do everything from updating payment methods and tax elections to viewing payslips and year-end forms.
- **Perform rigorous balances and audits.** Minimize error rates and avoid off-cycle payments by balancing and auditing payroll data, and segregating payroll duties. If your payroll system is integrated with your financial management system, you can gain even greater control—resolving conflicts between corporate and local fiscal accounting requirements by creating multiple representations for single business events.
- **Rethink controls and compliance.** In the face of growing complexity, many organizations have turned to outsourced solutions for all or part of the payroll function. It may be time to reconsider that stance, however, given the wealth of data made available by integrated payroll, compensation, and benefits systems. Take advantage of the advanced analytics offered by such systems to compare salary ranges among teams, view trends in overtime pay, and make better-informed decisions for your business.

KEY FEATURES OF AN EFFECTIVE PAYROLL MANAGEMENT SYSTEM

- » Rules-based solution
- » Payroll dashboard
- » Payroll automation
- » Payroll flows and checklists with embedded analytics
- » Advanced modeling
- » Retroactive processing
- » Integrated applications
- » Country extensions
- » Easy graphical interface for payroll administrators



BENEFITS OF AN INTEGRATED WORKFORCE REWARDS SYSTEM

- » 360-degree view of compensation across any group of employees
- » Online benefits statements for diverse populations of workers
- » Increased employee engagement, thanks to choice in rewards packages
- » Unified compensation, benefits, and payroll solution

Looking Beyond the Paycheck: Using Total Rewards to Drive Business Results

Talent is scarce. Budgets are tight. And today's multigenerational workforce is looking for more than just a hefty paycheck. They want to feel valued by the enterprise, empowered to affect and assemble their own rewards packages, and able to access the compensation, benefits, and payroll information they need from the device of their choosing.

Oracle understands this—as well as the enormous burden organizations face in meeting these demands without going over budget or imposing undue administrative burdens on their HR staff. Oracle Workforce Rewards provides the answer.

Relying on advanced HCM technology to provide an integrated solution encompassing compensation, benefits, and payroll and linking back to core HR functions, Oracle Workforce Rewards enables HR pros to create customized, highly differentiated pay programs that simplify administrative activities for both line-of-business managers and HR staff. As a result, organizations are able to reward employees while motivating them to move the company forward, and attract and retain the talent that will drive success long into the future.

CONTACT US

To learn more, please call **+1.800.ORACLE1** to speak to an Oracle representative or visit **oracle.com/hcm**. Outside North America, visit oracle.com/corporate/contact/global.html to find the phone number for your local Oracle office.



"People value being valued—and not only, or even primarily, in monetary terms. Companies are learning to reward and recognize employee achievement in more meaningful ways. While every employee would like to earn more money, research has shown that a more important driver of retention than above-average compensation is a 'high-recognition culture.'"

Deloitte University Press, "Global Human Capital Trends 2014"

Oracle Corporation

WORLDWIDE HEADQUARTERS

500 Oracle Parkway
Redwood Shores
CA 94065
USA

WORLDWIDE INQUIRIES

Phone: +1.650.506.7000
+1.800.ORACLE1

Fax: +1.650.506.7200

oracle.com

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