A successful compensation or total rewards program, supports the performance of the business. Its purpose is to help attract, motivate, and retain committed employees who will deliver the results that the hog operation needs to achieve its business goals.

Because the total compensation program plays such a key role in the success of an operation, it is important to understand its value to employees, and to manage the components of the program effectively to provide an attractive package to both current and prospective employees.

1. Identify key factors in building an effective total rewards package for the operation’s success.
2. Determine appropriate cash wages based on equity and employee performance.
3. Use an appropriate bonus system to incent the right behavior.

Building Effective Total Rewards Packages
The total rewards package is the total benefit or reward employees receive from their work. It includes:

- **Monetary components**
  - Wages, bonuses, and any tangible benefits, such as health insurance

- **Non-monetary components**
  - Schedule flexibility
  - Working conditions
  - Commuting time
  - Job security
  - Management philosophy / practices
  - Operation’s positive reputation
  - Friends also work there
  - Team or social activities / environment
  - Training and development
  - Stretch assignments
  - Lateral career movement
  - Promotional opportunities

Non-monetary benefits generally address needs beyond wages. These benefits often help employees balance their personal and work life, recognize employee performance in a variety of ways other than money, and help build commitment to the organization.

Identifying Needs and Assessing Value
Different benefits have different values to different employees. To build a competitive total rewards package, it is necessary to understand:

- The needs of your employees.
- The current market place.
- The total amount of money (or budget) available for your total rewards program.

To identify needs of employees, the company can ask employees directly through surveys, meetings, or other means.

To understand the current marketplace, the company can check to see what other companies provide in the total rewards package.

- Surveying competing businesses helps in understanding the market value of labor in the area.
- Include all companies that may be competing for employees, regardless of the industry.
Communication
Clearly communicate the components and value of the total rewards package often and in a variety of ways so that employees can see and understand the full package the company provides. Communicate at least annually. Talk with employees about the value of their benefits package.

• If possible, print out a summary of the employee benefits regularly - perhaps with pay checks, or perhaps on a quarterly basis. Provide employees with a consistent reminder of the benefits they receive through their employment.
• Include the basics of a policy in the Employee Handbook for communicating to new employees and as a reference for current employees.

Determine Appropriate Cash Wages
Every employer routinely sets cash wages (the salary component of the package) to attract and retain employees.

Equity
In setting wages, both internal and external equity must be considered. Equity focuses on the wage rates for equal work on jobs that require equal skill, effort, and responsibility and are performed under similar working conditions.

• External equity - Individuals in different businesses doing similar jobs should receive similar wages.
• Internal equity - Company employees doing basically the same job should be paid basically the same wage.

It is important to remember that employees generally consider more than basic wages when they evaluate external equity. Based on their needs and values, some employees may be willing to accept a lower cash wage than what is common in the external marketplace in return for other non-monetary benefits, such as a flexible schedule or the opportunity to develop and grow in the organization.

Annual Base Pay Increases
In determining annual base pay increases, the manager should evaluate performance first to determine if an increase is merited. For that reason, it is important to have clear, documented performance goals and expectations as a basis for the evaluation.
Tenure does not play a role in determining pay increase. Employees are hired to complete tasks that ultimately deliver results and help the company meet its business goals. Increases in an employee's annual base pay should be tied to performance results, not to how long they have been with company.

How does equity impact the annual base pay decision?
Annual base pay increases based on performance.
• Using the employee's defined performance goals and expectations, you first evaluate the employee's performance against the goals.
• If the results merit an increase in base pay, you then determine the amount of the increase based on the and the amount of money available in your annual base pay budget.
• An equity adjustment would be addressed only if the performance-based increase had not sufficiently narrowed the gap on the inequity.
When would it be appropriate to address a situation of internal inequity?
Refer to your company policy to handle equity adjustments, if you have one.

Typically, an equity adjustment would be addressed only if the performance-based increase had not sufficiently narrowed the gap on the inequity.
• So again, performance is rewarded first; then an equity adjustment may be considered.
• Because of budget considerations, it may be necessary to reduce the equity gap over two years or more, again applying a performance increase, if merited.

Establishing a Cash Bonus System
Offering a cash bonus is a common practice employers use to improve employee performance. The challenge is to ensure any cash bonus program with the vision, mission, and values of the business. Be aware:
• "What gets rewarded gets done," so think through cash bonuses carefully.
• To get the right behavior, you need the right incentives.
• In planning, look for the conflicts the program might generate with your business goals.
• Lay out guidelines in detail.
• Set bonus goals that are challenging and realistic.

Other resources:
Employee Compensation in Pork Production