

[< Back to McKinsey Organization Blog](#)

# Rethinking total rewards for the post-COVID era

Our research and experience highlights three guiding principles for designing a total rewards philosophy.

[in](#) [t](#) [f](#)



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*June 14, 2021* - As organizations [navigate performance management](#) amid the COVID-19 crisis, a key part of their strategy should be to revise total rewards to reflect changes to both financial and non-financial incentives. Non-financial rewards will become increasingly significant as organizations seek to retain talent with flexibility in a post-COVID workplace. Total rewards have also taken on increasing importance given the cultural context and conversation around equity. The current disruption provides a unique opportunity for organizations to holistically rethink their total rewards philosophy.

A total rewards package can include fixed pay, variable pay, annual cash bonus, and long-term wealth creation through various incentives. It also

covers benefits like health and retirement, non-cash compensation like transportation or educational stipends, and non-financial rewards like training, flexibility programs, and leave. More importantly, total rewards is the strategy and set of principles that govern these offerings—the “why” behind the “what.”

Organizations must demonstrate that they have structured their rewards fairly by transparently communicating the link among business performance, individual performance, and rewards. While our focus here is on salaried employees, the same principles apply for hourly non-exempt workers. Our research and experience in transforming major organizations’ performance management highlights three guiding principles for designing a total rewards philosophy.

1. **Enable business strategy and performance.** Organizations should be clear about what outcomes they want to incentivize. These outcomes will determine what rewards elements they prioritize. The enterprise strategy should also inform what metrics determine bonus-pool funding and allocation across business units.

Organizations are most successful when they review the total rewards philosophy whenever there is a significant shift in enterprise strategy to ensure that rewards enable the strategy. In the absence of strategic changes, review on a regular cadence to ensure the ability to attract, motivate, and retain top talent.

2. **Have a clear employee value proposition with differentiated rewards to attract talent and drive performance.** Rewards should clearly link to talent ratings, and the same principles of performance management apply. Focus on rewarding clear over-performers while developing others instead of trying to differentiate the broad middle. Managers should de-couple compensation from [developmental feedback](#) and leverage intrinsic motivators such as [recognition](#) and non-financial rewards.

Decide how rewards will contribute to your overall employee value proposition in the talent marketplace. A “premium package” organization may offer top-tier compensation and benefits across the board, while others may focus on overdelivering only in areas that link to their strategy or purpose. For example, a large financial services institution provided above-market retirement benefits—both retirement funding and education—to reinforce their purpose of providing financial wellness to all.

Segments that may require different rewards structures include agile teams, which may have [team-based incentives](#) in lieu of individual incentives. Organizations are also increasingly paying for skill building/competencies as part of their rewards packages to both attract and grow the talent needed to deliver their future strategy. Rewards may vary with different benchmarks for certain business units

or skill pools, long-term incentives above a certain level, or different bonus structures for critical roles.

- 3. Promote equity and fairness through transparency.** Ensure [equitable design](#) of total rewards for all populations, and check this regularly through pay equity analysis. Ensure benefits support all populations (e.g., LGBTQ+ parental leave), and conduct focus groups with diverse employees to ensure these benefits meet their needs.

Organizations should also determine how much discretion managers have in determining rewards. A formulaic approach helps to eliminate bias and enable transparency, but takes power away from the manager.

Organizations that keep these principles in mind while designing and implementing total rewards will be better positioned to attract and retain top talent in a workforce that is increasingly demanding flexibility and equity.

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## Piecing together the talent puzzle: How to bring a redeployment or skilling program to life

These four steps can increase the likelihood of success for a redeployment, upskilling, or reskilling program.

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By [Matt Fenton](#)

Advises organizations on talent, operating model, and culture topics, helping build strategies to accelerate impact and drive sustained business performance



By [Emily Field](#)

Shapes organizational strategies to establish talent management as a distinctive advantage, preparing leaders to manage the workforce of tomorrow and create business value



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Partners with organizations to provide research-backed expertise on leadership, talent management, learning and development, and future of work topics

TALENT | SKILLS | FUTURE OF WORK

*September 13, 2021* - In a recent McKinsey survey, [53 percent of leaders](#) indicated that building skills was the best way to close their company's capability gaps in the next year. In fact, they cited reskilling as the preferred strategy more than twice as often as hiring. It's no secret organizations see the value of skill building and are acting quickly—over 33 percent of leaders indicated that investment in building capabilities has increased since 2020.

While these statistics are compelling, the myth still lingers that hiring is always more cost-effective. A better understanding of how to evaluate an organization's unique situation and implement a successful reskilling program can help fully dispel that myth.

[Previously](#), we differentiated among three talent levers—redeployment, upskilling, and reskilling—and shared situations in which each is best used. As a next step, organizations must understand why each is important and how to successfully bring them to life.

### **A four-step approach to success**

While there is no “one size fits all” approach, these four steps greatly increase the likelihood of success.

1. **Evaluate.** First, identify skill gaps. Consider the business strategy and skills critical to success, then assess current skills. Digital tools can accelerate building this fact base by integrating internal and external data to rapidly identify likely skills and skill adjacencies. Evaluation is a critical place to embed equity into the process—evaluating everyone's skills in a specific skill pool instead of the “usual suspects.” Once the current skill pool has been assessed, then compare the skills of the present workforce to current gaps and future needs—including type and volume.

2. **Plan.** Planning is a crucial step that many organizations tend to skip or undershoot because there is urgency to solve the felt need. This often results in change management missteps. By taking stock of likely scenarios, the right tactics can be embedded into plans to embrace employees through the change.

Consider what lever is best suited to address gaps. When there is considerable overlap between gaps and existing skills, reskilling and upskilling are often most effective. Take this a step further by creating transparency among business, HR, and finance functions. Collaborate around talent needs and design reskilling journeys to close any gaps through digital tools by creating one-stop “transition hubs.”

3. **Act.** Once a plan is in place, it is time for action. If reskilling or upskilling, a mix of on-the-job learning and formal instruction often yields the best results. Bite-sized, multi-modal learning designed for how adults learn is key, so transitioning employees can build new skills while applying them in real time, both in simulated environments and in their new role.

4. **Refresh.** It is essential to continuously refine the approach through thoughtful experimentation. Consider investing in the creation of an ongoing skills inventory and using data from your performance management system to update it. Data can help track efficacy and adjust—getting the right people with the right skills in the right roles at the right time.

For example, a technology company adopting a new cloud-based product strategy found that 30 percent of its workforce had skill mismatches and needed to reskill. HR and product organizations worked closely to design and deploy a learning journey grounded in adult learning principles with real-time measurement to track effectiveness. In two years, they successfully reskilled more than 6,000 employees to new roles and upskilled over 20,000 employees in their current roles.

## Why it matters

Investing in redeployment, upskilling, and reskilling shows employees that they are valued and vital to the organization’s mission. Learning new skills is a powerful source of motivation, inspiring [commitment and increasing productivity](#). In fact, [94 percent of employees](#) say they would stay longer at a company that invested in their development.

[COVID-19](#) has accelerated the digitization and automation of many workplaces. The [future of work](#) has arrived, and there is an ongoing battle for the most valuable asset: talent. Companies that combat this challenge through thoughtful redeployment, upskilling, and reskilling will better position themselves for future success.

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