

The Future of Total Rewards

A More Prominent Role in HR

Head of total rewards is no longer just a position simply about managing compensation and benefits. Since the financial crisis increased regulatory and shareholder scrutiny on executive compensation and performance, CHROs and boards have turned to total rewards leaders as key partners in addressing those concerns and developing creative solutions for other aspects of HR. Drawing on their unique internal knowledge of compensation and benefits coupled with their technical and analytical proficiency, total rewards leaders are playing an increasingly important role for the HR function.

To better understand today's total rewards leaders and their impact, for the first time we conducted a study of the total rewards discipline at Fortune 200 companies. Our research found total rewards leaders front and center in many HR functions. More than one-quarter of CHROs (27%) have prior experience in compensation and benefits, pointing to the role's increasingly strategic importance.

140

Companies in the Fortune 200 with a unified total rewards function

27%

F200 CHROs with total rewards experience

10.5 yrs

Average tenure total rewards leaders have at their companies

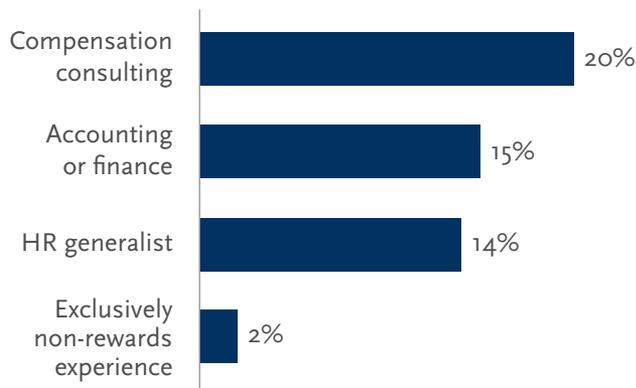
WHO ARE TODAY'S TOTAL REWARDS LEADERS?

Among the Fortune 200, 140 companies have a unified total rewards function under one individual. These total rewards leaders have served in their current role for almost four years on average and have been at their current company for an average of 10.5 years.

Prior experience

More total rewards leaders are entering the position with more than simply compensation and/or benefits backgrounds. About 20% of Fortune 200 total rewards leaders have previous experience in compensation consulting; 15% have backgrounds in accounting or finance; and 14% spent time in HR generalist roles. Three of the 140 total rewards leaders in our study had exclusively non-rewards experience before taking the position. Eleven percent (11%) have experience working outside the United States.

Backgrounds for total rewards leaders



Internal versus external

Sixty-four percent (90 out of 140) of total rewards leaders were promoted from within. Forty leaders (29%) previously served as head of total rewards for at least one different publicly traded company.

Educational background

Every total rewards leader has a bachelor's degree and 56% have an advanced degree (compared with 67% of CHROs who have an advanced degree). Of total rewards leaders with an advanced degree, 63% have an MBA, 29% have a different master's, and 13% have a JD. Twenty-three (16%) of the F200 total rewards leaders report having compensation and benefits certifications, such as a CCP (Certified Compensation Professional) or CEBS (Certified Employee Benefit Specialist).

HR leaders with an advanced degree



Diversity

Forty percent (40%) of total rewards leaders are women; 8% identify as ethnically/racially diverse. By comparison, 66% of Fortune 200 CHROs are women and 13% are ethnically/racially diverse.

Scope of responsibility

Of the 140 total rewards leaders, 37% (52) oversee more than compensation and benefits, with additional responsibilities spreading to HR operations (7% of total rewards leaders), HR services (7%), HRIS (6%), tech and analytics (4%), HR M&A (4%), compensation and/or benefits backgrounds..

3 PREDICTIONS ABOUT THE FUTURE OF TOTAL REWARDS

In the coming years, we plan to revisit the data about this position, and continue to study its evolution within the HR function and its influence in the C-suite and the boardroom. What do we expect to see with this function in the future? Here are three predictions.

More heads of total rewards will be elevated to CHRO

Company compensation practices have remained under the microscope since the financial crisis. Many total rewards leaders have emerged as strong partners to the board in developing innovative compensation plans that drive the right behaviors both culturally and commercially, while satisfying growing expectations from investors and addressing regulatory requirements. The combination of their exposure to the board, solution orientation and analytical capability has elevated the profile of total rewards leaders in the organization and placed them on the path to the CHRO role.

There will be demand for more diversity in total rewards leadership

CHRO is not only one of the most diverse leadership positions in the C-suite — two-thirds of F200 companies have a woman in the role — but it also plays a central role in creating a diverse and inclusive workforce. Today, F200 total rewards leaders are less diverse as a group than CHROs, but as the role becomes a more attractive path to the top HR role, we expect to see greater gender and ethnic diversity among total rewards leadership.

The scope of responsibility and requisite skills will continue to expand

As the HR function continues to evolve to become even more data-driven and digitally enabled, the job will demand expertise in areas such as artificial intelligence, machine learning and data analytics. The ability to lead change and leverage these technologies to impact recruitment, development, reward and retention initiatives will become increasingly important for total rewards leaders.

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