



Axel Smits
Bart Van den Bussche

REWARD

Attracting and retaining key talent
with compelling reward



Lannoo
Campus

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ISBN 9789401438667

D/2024/45/336

NUR 800

First edition, 2024

Responsible editor

LannooCampus Publishers

Vaartkom 41 box 01.02

3000 Leuven

Belgium

www.lannoocampus.com

P.O. Box 23202

1100 DS Amsterdam

Netherlands

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Foreword

In my career, I have had the privilege of witnessing the power of clarity when it comes to shaping the success and alignment of organisations. The questions of why we are here, what we do and how we do it are not mere philosophical ponderings; they form the very essence of an organisation's purpose, strategy and culture. Understanding these fundamental aspects is crucial for effective decision making and direction. In this context, an organisation's total reward strategy emerges as a vital pillar supporting every action that it takes.

Reward, as a topic, has always fascinated me. The numbers, facts and data associated with it provide a structured approach that helps organisations make well-informed and data-driven decisions. However, I quickly realised that reward is not just about the quantitative aspects; it carries a significant emotional component as well. People need to feel that the reward they receive is fair, transparent and based on their performance and contributions.

Throughout my career, I have found that some of the most challenging professional conversations I've had are related to reward. It is a sensitive and delicate matter that can impact employee morale, motivation and overall satisfaction. That's why having exceptional reward experts by your side, both within and outside the organisation, is of the utmost importance. I am immensely grateful for the time I spent as a reward specialist and for the ongoing support I receive from these professionals. Their insights and expertise are invaluable in navigating the complexities of reward management.

Furthermore, in the ever-evolving landscape of business, it is crucial to continuously and proactively stay up to date on the dynamic aspects of reward. The world around us is changing rapidly, and reward systems must adapt to keep pace. Factors such as sustainability, pay transparency and flexible work arrangements are gaining prominence, and organisations must ensure that their reward systems and solutions can accommodate these shifts. Staying informed and proactive in understanding these developments is essential for effectively managing rewards in the changing landscape we face.

In conclusion, reward is not a mere transactional exchange of numbers and data; it is about recognising and valuing the contributions of individuals within an organisation. It is a sensitive and delicate matter that requires the expertise of reward specialists. By staying informed and proactive, organisations can effectively manage rewards in a changing landscape, ensuring employee satisfaction and business success.

This book offers a comprehensive review of what modern reward is all about, delving into the various dimensions of reward management to provide valuable insights and perspectives. Whether you are an HR professional seeking to enhance your understanding, a board member responsible for shaping reward strategies or simply someone interested in gaining a deeper insight into this hot topic, this book is highly recommended. I hope you find it as enlightening and thought-provoking as I did, and that it serves as a guide in your journey towards unlocking the true potential of reward management.

Line De Decker
Chief People and Sustainability Officer Aliaxis

A word from the editors

What makes reward interesting now?

Throughout history, reward in its various shapes has played a crucial role in the evolution and progress of mankind. The pursuit of reward in the form of victory, treasure, food, fulfilment, etc. has been omnipresent as a motivator since the beginning of time. Reward is the carrot that keeps us going, driving our behaviour, starting in our childhood and staying with us until the very end.

So, if reward is such a large part of our daily lives, why are we sharing our interest with you now? As we explain in the following pages, we are currently in a period of flux, with societal influences and global disruptions impacting the relationships between organisations and employees that were previously relatively stable. And this has an impact on reward. In no particular order, some of these influences and disruptions are:

- **Wellbeing at work**

A career is more like a marathon than a sprint, which is why it is important for people to be able to deal with the pressures and challenges of an ever more rapidly changing environment. This requires that the classic principle of a healthy mind in a healthy body is respected more than ever.

In practice, this means that employers need to understand that they have a responsibility to create a working environment that equips their employees to work under pressure and embrace the changes they face. When faced with today's labour shortage, employers cannot afford to offer an outdated working environment. Employers should enable hybrid working within a well-defined framework and provide an activity-based office space with a warm, welcoming atmosphere so that people want to be there instead of the office being a place where they have to be.

And it doesn't stop there. Organisations should implement policies that encourage a healthier lifestyle, embedding wellbeing in the working culture by encouraging employees to move more, get enough sleep, eat and drink well, breathe well, relax regularly and, most importantly, have enough fun.

Lastly, wellbeing also includes diversity and inclusion in the workplace, and this is intrinsically linked to reward as compensation for labour. In order to create a truly great place to work, an employer needs to make sure there is no distinction between its people based on their gender, sexual preference, ethnicity, or any other potentially discriminating characteristic. Even unconscious biases should be identified and excluded wherever possible. And this should, of course, also be reflected in people's reward to ensure equal pay for equal work or work of equal value.

- **To work or not to work**

Reward for labour is often taxed quite heavily, which triggers some people to question whether it makes sense for them to work when they could live off an allowance from the government. Although being remunerated for working is always more gratifying than receiving an allowance, it is fair to question the benefits of working where the net difference between a salary and an allowance is small. Governments are responsible for ensuring this difference is significant enough, as it touches on the productivity of an entire society where everyone should be encouraged to contribute in line with their capabilities.

Policy makers have a duty to ensure their citizens are encouraged to seek reward for their labour, which should be both fulfilling and financially beneficial. The government should also focus on the wellbeing of its population, for example, preventing illness rather than curing it and boosting citizens' energy levels so they are up to the tasks ahead. Without governments doing their part, a negative spiral starts where increasing numbers of people either prefer not to work or burn/bore out while doing so. Subsequently, governments need more money to take care of those who do not work, raising taxes even further and making it even less appealing to work (hard).

Too many governments have created the idea that people can have more for less, encouraging part time work, prolonged leaves and early retirement beyond what makes sense economically. An economy (currently) needs human labour to fuel its growth and the ongoing war for talent illustrates an almost permanent shortage in multiple labour markets. Until human labour is (at least partially) taken over by smart technologies, more people will need to work (harder) than is the case today.

- **Mankind versus machine**

Artificial intelligence (AI) is currently the focus of a lot of scare stories: will it really turn out to be a giant job killer as some predict? Will an AI, once it is able to become conscient, ask for a reward for its continuous efforts and if so, what type of reward would that be? While the many technological waves we have seen throughout history have changed the labour landscape and the related reward models, they have also increased productivity and mankind's ability to leverage technology to do things which would have been impossible otherwise.

Although nobody can say what will change or when, it is fair to assume that basic tasks are likely to be taken over by technology. However, technology could be used to upgrade jobs instead of replacing them, making the job content more appealing and probably more demanding. People will need to ensure they remain relevant. The fear of becoming obsolete (FOBO) may motivate employees to reskill or upskill to maintain or improve their career prospects.

Based on the spread of technology that we have seen so far, we can also assume that technology will be concentrated in a limited number of countries, leaving us to question what this will mean for jobs everywhere else. Countries will need to keep up with the technology race to enable their citizens to earn a decent living. When we reach this point, reward models will change significantly, as labour may not remain the dominant driver of economic growth.

As well as these influences and disruptions, there are other factors driving the changes in reward. For example, labour laws and regulations, which can vary across different countries and jurisdictions, can impact the minimum wage, working conditions and other aspects of the reward for labour. Another example of a driver is the rise in working from anywhere (WFA). While this has increased the size of the potential labour pool, it has also increased the complexity of the organisation's reward system: should the employee's remuneration be aligned with the headquarters, market levels in their location or the cost of living?

Taking into account these influences on, disruptions to and drivers of the traditional working relationship between employers and employees, we believe that there is room for ambitious organisations to use reward to position themselves to attract and retain the talent they need to achieve their goals. However, reward needs to be used effectively in order for the organisation to maximise their return on the investment they have made in their employees. With this book we aim to provide you with the information you need to successfully implement efficient reward systems that work to support your goals, empowering your organisation to realise the full potential of its mission statement and ambitions.

Axel and Bart

Editors



Axel Smits

Since 2016, Axel has been the Chairman and Senior Partner of PwC Belgium, a network firm with about €400 million in revenues and about 2,400 employees. From January 1, 2024, Axel has combined his roles as Chairman of PwC Belgium with that of Managing Partner of PwC Europe. Axel also leads PwC Belgium's People Related Services business and runs the Reward Services team with Bart Van den Bussche as his co-pilot.

Before assuming his current position, Axel was in charge of the firm's Belgian Tax and Legal practice, a position he combined with heading up PwC's EMEA Tax and Legal network. A lawyer by training with additional degrees in taxation, accounting and finance, Axel is a chartered tax consultant with a particular focus on international tax planning. He serves clients across the globe and is very active as both a speaker and a writer of articles and books in his area of expertise, including topics like intellectual property as well as substance in international tax planning.



Bart Van den Bussche

Bart is an experienced Director within the Reward Services team at PwC Belgium. With nearly two decades of expertise, Bart specialises in advising clients on various aspects of reward, ranging from design to implementation. As a chartered tax consultant, Bart possesses extensive knowledge of individual income tax, particularly in relation to executive remuneration and employment structures in an international context. He also brings valuable experience in the field of remuneration advice, with a specific focus on partnership compensation structures.

In addition to his core areas of expertise, Bart actively contributed to the roll-out of employee preference studies in Belgium. These studies provide valuable insights into how financial and non-financial rewards impact employee motivation and retention, enabling organisations to optimise their reward strategies. With his extensive knowledge and expertise, Bart is often requested to be a guest speaker and he publishes on a regular basis.

Contributors

Alyssia Salaris

Alyssia assists national and international clients on various reward topics, and has relevant experience in executive remuneration, international employment tax and partnership compensation.

Antoine Awad

Antoine advises national and international clients on matters related to reward and personal income tax. He supports clients with a diverse range of topics such as structuring employee benefits, remuneration packages and partnership compensation. Antoine also assists organisations in navigating tax incentives, in particular related to wage withholding tax exemption.

Aurore Zadeling

Aurore is committed to supporting her national and international clients with inquiries related to income tax and rewards. Her expertise lies in optimising remuneration packages to align with relevant regulations, best practices and stakeholders' expectations. This includes improving remuneration design and disclosure, integrating sustainable objectives into pay structures, conducting pay audits and helping clients to transition towards greater pay transparency.

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Britt assists national and international clients on various reward matters and she has experience in executive remuneration and transactional rewards.

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Delphine gives advice on rewards and personal income tax to multinationals and Belgian-based clients. She has expertise in national and international employment tax, executive remuneration and employee benefits.

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Dominique is an expert on a diverse range of HR topics with a focus on employee benefits and share-based compensation. He has provided advice with respect to share-based compensation and long-term benefits to quoted and unquoted organisations and counselled the private equity industry regarding transactions and on-going business. Furthermore, he advises executives on their (inter)national tax affairs.

Els Kegels

Els has 30 years' of experience as a tax consultant and has a comprehensive understanding of how national and international tax rules largely determine a reward package. As member of PwC Law Firm Services Team, her focus is on partnerships and she is involved on almost a daily basis in partnership structures and their compliance obligations.

Emmanuel Saporito

Emmanuel is a Director in PwC's Reward Services practice, where he is an expert on a diverse range of tax topics and has specifically developed high-end experience in executive remuneration, international taxation, equity incentive plans (design, tax and legal structuring) and compensation and benefits for quoted and unquoted organisations and the private equity industry.

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Eva advises national and international clients on reward matters, with a focus on analysing, structuring and optimising employee benefits and remuneration packages to meet all Belgian legal, tax and social security requirements. Eva also helps executives and international law firms with their legal and reporting obligations. Additionally, she is active in the PwC sustainability team as a project manager.

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Florian assists organisations with their queries related to remuneration package optimisation and other HR topics with a focus on pensions, excel and Alteryx.

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Isabelle has over 15 years of broad HR experience focused on using total reward and recognition to attract and retain the right talent. Her expertise covers reward modelling, job classification, performance management and benchmarking on both the client and the consultancy side.

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Joyce is an expert in the field of remuneration strategies. She has experience working with compensation and benefits, including reward architecture, benchmarking and job classification.

Kato Van Heucke

By doing reward scans, Kato assists organisations to create attractive, sustainable and future-proof remuneration packages. This involves performing legal analysis and preparing estimates to simulate the cost net ratios for the employer's cost and net income.

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Leyla assists Belgian residents and non-residents with reward queries and income tax formalities. She also focuses on partnership compensation.

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Lisa assists Belgian residents and non-residents with reward queries and income tax formalities. She focuses on payroll consulting and payroll design.

Luc Legon

Luc is an expert on a diverse range of HR topics with comprehensive experience in the design, tax and legal structuring of reward policies with a strong focus on equity incentive plans for quoted and unquoted organisations and the private equity industry. He assists quoted and unquoted organisations to design, implement and administer their long-term incentive plans (LTIPs). He also helps Belgian and international private equity houses to implement their management incentive plans (MIPs), ensuring that the MIP is perfectly balanced from an incentive, tax and legal perspective in both Belgian and foreign jurisdictions. Additionally, Luc provides high-end individual tax consulting to private clients in relation to their executive responsibilities or private tax affairs.

Lynn Michiels

Lynn gained her specific payroll experience by performing payroll and benefits administration for very large organisations. At PwC she assists clients with all their payroll-related questions and projects. She is passionate about working with clients to ensure their payroll systems add real value to their business.

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Matthias supports clients with their personal income tax compliance, correct application of R&D incentives on a workforce-level and mobility questions (car policies, mobility budget, alternative remuneration, etc.). He is also passionate about optimising (internal) processes with the help of new technologies, tools and Responsible (Gen) AI.

Maxime Duymelinck

Maxime has over 10 years of expertise in guiding clients through various aspects of rewards. Her role involves providing strategic guidance and overseeing the design and implementation of reward systems, both nationally and internationally. She has developed a specialised skill set in executive remuneration and incentive scheme design, with a strong emphasis on optimisation and alignment with tax and governance considerations.

Maxime Franzen

Maxime is specialised in a diverse range of tax topics and has high-end experience in international taxation, equity incentive plans (design, tax and legal structuring) and partnership compensation.

Melissa Balcaen

Melissa focuses on job architecture, performance management, reward modelling and benchmarking. She supports clients with their non-financial rewards.

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Michaël is an experienced personal income tax consultant with a focus on the fields of executive remuneration, international tax and alternative and flexible remuneration. He assists national and international organisations with tax-related issues concerning their employees and executives or the structuring of their reward packages. Michaël also assists organisations to obtain tax incentives related to withholding tax and advises private individuals regarding their tax reporting obligations and other relevant tax-related matters.

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Michelle supports national and international clients with inquiries related to income tax and reward. As part of the Central R&D team, Michelle has extensive expertise and experience with R&D tax incentives. She also focuses on implementing new technologies and tools to automate different processes.

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Natacha delves into job architecture, benchmarking and organisational talent management. Her role involves supporting clients to fine-tune their talent strategies and design beneficial remuneration structures.

Pieter Gillemon

Pieter is a Director in PwC's Reward Services practice, where he specialises in employee benefits such as retirement plans, life insurance, disability insurance and medical insurance. He has a strong focus on pension strategy and execution. With 25 years of practical experience and a deep technical knowledge of pensions, Pieter's extensive expertise in this field is widely recognised. His broad practical experience and deep technical knowledge allow him to effectively address a wide range of financial, legal, tax and HR inquiries related to pensions.

Pieter Nobels

Pieter is a Director in PwC's Reward Services practice. With his broad HR experience, he is passionate about helping organisations to design and deliver an impactful employee experience. In his daily work, he combines his tax experience, comprehensive knowledge of technology and data, user experience understanding and change management expertise. Over the past 20 years, Pieter has served clients in both the public and private sector in various industries. He has pioneered new HR programmes for flexible rewards, data-driven reward harmonisation, HR analytics, sustainable mobility policies and AI-driven workforce cost optimisation.

Sandra De Weerd

Sandra is knowledgeable about a diverse range of reward topics. With over 25 years of experience designing and structuring reward policies within the tax and legal framework, Sandra's expertise lies in financial wellbeing, driven by her passion for analysing remuneration packages and identifying optimisation opportunities. She has comprehensive expertise in crafting flexible reward schemes that encompass both financial and non-financial elements. These reward schemes are supported by the results of her work helping clients to conduct preference studies.

How to use this book

To simplify navigation of this book, we have divided it into three parts.

The first part gives the background to reward, explaining how it is linked to motivation, how it works to attract and retain talent and how it has been impacted by some of the megatrends facing today's world.

The second part, the main section, introduces and explains our five pillar approach to building effective reward systems that help organisations stand out in the talent market. The pillars include the scope of the reward system, job architecture and benchmarking, the mix of reward components, what is driving the change in the reward system and the impact of the organisation's structure on the reward system. Each chapter can be read on its own to give insights on one aspect of a reward system, or all together for organisations interested in their complete reward strategy.

The last part is a series of special dossiers that either encompass multiple pillars or give extra detail on a specific situation or topic. These chapters highlight the changing impact of reward and how we are in a position to ensure this impact becomes increasingly positive for employees, organisations and society.

