

EMPLOYEE VALUE PROPOSITION

For any organisation, the challenge is to find quality people – people with the skills, knowledge, experience, competencies and values that provide a match for the roles within the organisation. The person faces a different challenge: they look around, think about their personal circumstances, compare options, and then choose to take up or stay in positions on the basis of the best value for them on offer. This, the Employee Value Proposition (EVP) is the balance of reward and benefit, work policies and practices, experienced by an employee in return for their work: it describes why the total work experience is better than at any other organisation and accordingly it may be critical in attracting and retaining quality people (Hill & Tande 2006).

Why focus on the Employee Value Proposition?

Research undertaken by the CLC into the impact of EVP (*The Employment Value Proposition – A Key to Attraction and Commitment* 2006) is summarised in Table 1.

Measure	Organisations without a clear EVP	Organisations with a clear EVP	Notes on the impact of a clear EVP
Employee commitment at commencement	9%	38%	4 times the commitment level at commencement...
Employee commitment after one year	3%	31%	...and the commitment level is maintained significantly more strongly
Salary premium required to attract	21%	11%	The ongoing cash premium required is halved

Table 1: Impact of a clear EVP

Three key benefits are there to be gained from having a clear EVP:

- Salary levels offered may be 10% lower and still attract quality staff (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary* 2006).

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- Measurable performance may be increased by around 20% (Corporate Leadership Council 2004). Across organisations the percentage of high-engagement employees exerting high or maximal effort varied from 3% to 25% (Corporate Leadership Council 2004), so shifting this percentage within an organisation could significantly impact its productivity.
- Retention can be dramatically improved—by up to 87% (Corporate Leadership Council 2004). Typically only 13% of employees are disaffected, but they are four times as likely to leave (Corporate Leadership Council 2004); reducing the proportion of disaffected employees can therefore not only improve productivity but also have a significant impact on retention and consequent recruitment costs. In addition, increasing satisfaction with the total compensation may increase an employee's retention by 21% (Corporate Leadership Council 2004).

What makes up the Employee Value Proposition?

To be managed effectively, the EVP must be employee-centred. That is, whilst it will be made up of the unique mix of environment, policies, programs and processes (Hill & Tande 2006) in place in the organisation (organisational policies and practices are the best predictor of degree of engagement (Corporate Leadership Council 2004)), it must be relevant to the employee, rather than focused on the employer. To be successful it must also be compelling for the employee as well as unique and relevant (Minchington 2010). Finally, it must be built up from optional components, which can then be separated and re-mixed to provide unique combinations to meet the unique needs and values of each employee.

From this perspective it becomes clear that there are two aspects to a person's relationship with the organisation. The first is the view formed from outside the organisation; the second is that formed inside the organisation—as an employee. From the viewpoint of the organisation these may broadly be divided into attraction (recruitment) and retention. Typically, the relevance of the various components that could make up the EVP differs across these two phases of the relationship: Towers (2008) found that whilst a competitive salary is number one interest of job candidates, once appointed their focus shifts to other aspects of the job and the relationship. Research undertaken by the CLC (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*) proposes five categories (Rewards, Opportunities, Organisation, Work and People): however, the following discussion of components that may make up the EVP is framed around these two key phases of the employer-employee relationship.

Components focused on attraction

Most obvious amongst the components of the EVP is the direct remuneration package. This is made up of wages, salary, allowances, commissions and profit-sharing, whether paid in cash or in kind including equities and options.

Superannuation is in effect a form of remuneration, with access deferred.

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Retrospective performance bonuses (results-based incentives) fit in here as well, as would prospective increases based on an employee's increased capacity to contribute to the organisation in the future.

Secondly, there are non-income conditions. Flexible working hours are included here. These include leave of all types (sick leave, long service leave, annual leave, parental leave, bereavement leave and so on). Even where they are common or mandated through legislation for employees these are appropriately included, because the employee very often has the option of working through consultancy or contracting mechanisms which may not offer these conditions.

Thirdly, one-off or start-up services and allowances may be offered. Relocation expenses may be paid, or an employee may receive an allowance for a period after taking up a position in a new location.

Fourthly, there are non-wage offerings. These include: housing; meals; insurance (health, disability and life insurances, for example); tuition fees for family and non-work-related training; childcare expenses; wellness programs including gym memberships and facilities as well as counseling services; and the use of facilities such as vehicles, laboratories and consulting rooms for private purposes.

Fifthly, gifts may be offered. Discounts on products or services from the employer are commonly offered in the private sector. Paid vacation travel and accommodation would fall into this category, whether it is related to a staff incentive or recognition scheme or not. Provision of refreshments such as cold drinks, cheese platters and fruit in the workplace would also fall into this category.

Whilst all of these components may be subject to some form of taxation, in Australia there are Fringe Benefits Tax implications for most of the items in the fourth and fifth groups, and accordingly these may be expensive for the employer.

Sixthly, there are non-remunerative considerations such as location of the organisation near snow and coastlines, and proximity to opportunities such as research institutions, high-quality schools or family-friendly areas: Cheap or free for the employer to take advantage of, and with no tax implications, as well these can be powerful inducements—geography has been found to contribute nearly three-quarters of the variation in perception of EVP across organisations (*The Employment Value Proposition – A Key to Attraction and Commitment* 2006).

Finally, people looking around the job market do not focus solely on their immediate needs for compensation, but also look to opportunities unfolding over time. Development opportunities, career progression pathways, respect and organisational stability will have considerable impact here. The organisations' growth and also its reputation for rewarding merit and achievement may also have considerable impact (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary* 2006).

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Organisational brand recognition and awards for being ‘a great place to work’ are reported to have very little impact on attraction (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*).

Components focused on retention

These are components that are typically developed post-recruitment: that is, only after the employer-employee relationship has commenced. Working with quality people in an environment that respects and empowers employees has been reported to be key in driving commitment and consequent retention (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*).

The first aspect of the employee’s working life is the intrinsic nature of the work undertaken, including the level of autonomy and responsibility of the job—that is, the degree of control over the employee has over their working life (Towers 2008). A threshold requirement is for the employee to understand clearly how the position and its activities link to the organisation’s vision, strategy and goals—the single most important driver in achieving engagement (Corporate Leadership Council 2004), and to further understand the job performance level expected in order to lead to these outcomes. The intrinsic job design is important here, and clearly there may be some overlap with the initial attraction to the position. However, autonomy can also be granted in a variety of other aspects of the position. These include choice of project or client assignment, the ability to schedule leave (or at least apply for it at any time of year), and fast-tracking of opportunities for promotion or transfer. Other aspects of the work that may impact the EVP include travel, innovation, work-life balance, alignment of job with personal interests, and degree of corporate impact.

The second aspect is the time dimension. In recognition that employees and their circumstances change over time, flexibility of conditions over time can be an important component of the EVP. A key means of delivering this component is the ongoing capacity to trade components, including monetary for non-monetary components. Thus an inner-city resident with minimal travel costs may want the capacity to trade non-cash benefits such as a car for more salary. Later, the same employee may want to salary-sacrifice in order to obtain a shorter working week, more leave or a vehicle in order to support a rural family lifestyle.

Also looking to the future, a third aspect is the ongoing career and professional development of the individual. Components here include on-the-job and off-the-job training and development, sabbatical leave, research projects, mentoring and coaching, and development opportunities such as exchanging with similar organisations (this last offers staff the experience of different workplaces without the overheads of resigning). Typically many organisations include some consideration of possible employee development in performance reviews, as well as specifying mandatory training required for accreditation or registration purposes (which is not included in this discussion). Where many organisations fail is in monitoring and measuring the employee’s growth and in assisting the employee in tracking their development.

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Research (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*) suggests that the most significant contributors to retention are these development and career opportunities, together with the relationships and respect that the employee builds within the organisation, particularly those with managers and with peers.

Accordingly the fourth aspect is that of the employer relationship, denoted through recognition, respect, feedback and praise from supervisors and management (whilst there may be some overlap with performance review, the latter is primarily employer-centred as it is focused on job performance). Manager quality is very significant in achieving commitment. However, “Employee of the Month” schemes and mentioning staff in newsletters and annual reports have a role in acknowledging and praising employees. Consultation in planning may also contribute to this dimension, if the consultation seeks opinion and suggestion rather than merely mining details of work procedures. This impact of the consultation on EVP can be increased by undertaking it in a manner more typically used for management (such as use of “off-site” facilities, provision of catering, engagement of an external facilitator). When organisations implement 360° performance appraisal and are seen to act on the upward appraisal, a secondary outcome is powerful recognition of the value of employees’ input.

The fifth aspect, relating to the social environment of the workplace, is that of peer relationships. These are embodied in team work, and as well in friendships and professional collaborations. Co-worker quality also contributes to this component.

Some organisational features are of very low impact in improving attraction, but are around three times as effective in improving commitment and consequent retention (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*). These include customer reputation, diversity, empowerment of staff, environmental impact and sustainability, ethics, social responsibility, people management capability, senior leadership reputation, formality or informality of workplace, appetite for risk, type of industry, market position, product quality, size, and technology level.

Context of the components

Whilst this discussion has broadly focused possible components of the EVP into two broad categories, clearly there is overlap between these categories. Those components categorized under “attraction” may continue to exert a powerful hold over time. Equally, potential recruits may hear of and value some components from the second category prior to taking up a position. Furthermore, the effect and value of any specific component will differ from employer to employer, from time to time, from employee to employee. The context of the specific components is as important as their specific nature.

- The same item may have different meaning in different organisations. Bowls of fruit or cold drinks may simply be a gift in kind in one organisation, but may be contextualized as a clear “thank you” in another.

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- Equally, the same item may have a different meaning for different employees within an organisation. Cold drinks available for the taking may be seen as a sign of a thoughtful and supportive employer by staff working late after shops have shut, but be insignificant to a working parent who leaves early to pick up children from care.
- Stock options may be an incentive for performance in some situations: a senior executive's package in the private sector provides an example. In another situation they may be bait for retention: Microsoft famously does not vest its employees' stock options for five years in order to retain its very employable staff.
- A working parent may rate highly the capacity to use their own sick leave in order to look after sick children, whilst this may be unimportant other than at an intellectual level for an employee with no dependents.
- Relocation allowances and services may be only a minor inducement at recruitment and owing to their one-off nature are of diminishing importance in retention.
- Training and development opportunities will be valued as highly during attraction as during retention, as will future career opportunities and respect (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*).

How can the Employee Value Proposition be leveraged?

Whilst the primary impact of the EVP will be seen in recruitment and retention of staff, there are secondary benefits that can flow from understanding and managing the EVP.

- Focusing the Human Resource Management agenda:

Two of the key drivers used to focus the Human Resource Management agenda are regulation and risk. Whilst important, these are primarily defensive in approach. Furthermore, they tend to focus on responses to external agendas and pressures. Adding the EVP to the agenda provides a third positive strategy that stabilizes the agenda and ties it more clearly to the strategic direction and values set by the organisation.

- Attracting quality people:

The EVP on offer provides an immediate response to a potential employee's first question, namely, "What's in it for me?" Deployed alongside a strong "brand" or image to identify the organisation and its values, the EVP can effectively support recruitment activity by increasing the proportion of the

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labour market tapped by 50% (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*). By promoting the EVP in advertising, promotional material and other recruitment communications, recruitment activity is thus more likely to result in a good match, attracting people who are a good “fit” for the organisation and the role as well as appropriately qualified for the position. The EVP should then also be the basis of job offers, which should express both the work to be performed, and also the total balance of reward and benefit offered or negotiated.

- Reconnecting with a dis-engaged workforce:

When morale is low and staff dis-engaged, the organisation needs a starting point from which to rebuild these key relationships. Discussing and re-constructing the EVP can assist staff to re-engage by clarifying for them why they choose to stay with the organisation.

How is an Employee Value Proposition developed?

1. Document the employment segment to be targeted. This may be by professional classification, by demography, by personality type, or any other relevant means of profiling.
2. Describe the value experienced by the employees in as much detail as possible. All experiences and components should be considered, as outlined above. Care must be taken to ensure that it is the *employee's* experience that is considered. Use surveys or facilitated focus group discussions to obtain insight into the experience of current staff.
3. Define the range of components on offer to the employee segment. Just listing the options available is context-free, and does not recognize potential cultural or personal differences. Only by working through steps 1 and 2 above will these be taken into account, thus producing a more powerful EVP.
4. Look at alternatives in competing organisations. Up to this point the discussion has not considered competitor organisations, but this is the second dimension of context to be considered. The organisation exists in a matrix of potential competitor employer organisations. *The Employment Value Proposition – A Key to Attraction and Commitment (2006)* documents clearly a highly homogenous view of organisations, with labour market perceptions of EVP categories clustered within 1 point of each other on a 6 point scale across organisations. However, in the Australian Public Service (APS) there is marked difference in ranking of components by employees across agencies (*State of the Service 2006-07 2007*). Clearly the favourable points of difference must be understood and articulated as well as taking into account the employee's expectations.

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5. Develop the EVP from the components that meet the following criteria (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*):
 - ✓ “Core” elements: Development Opportunities, Career Opportunities and Respect, together with:
 - Compensation and Organisational Stability for attraction, or
 - Manager Quality and Collegial Work Environment for retention
 - ✓ Relevant to attraction or retention, depending which is the focus of the approach
 - ✓ Currently an organizational strength
 - ✓ Competing organisations do not provide it,
 - ✓ Competing organisations simply fail to promote it well
 - ✓ Good fit with culture and goals
 - ✓ Low Human Relations investment
 - ✓ Strategically relevant
6. Test the EVP developed: by reviewing it with both current staff for the internal view and some potential staff for an external view. Two key aspects of the EVP should be tested:
 - that it is effective and appealing to its target audience; and
 - that it is an accurate representation of the organisation, its working environment and its aspirations. If the EVP experienced by a new employee varies from their expectation then commitment will start to decline almost immediately. (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*).
7. Prepare for an initial implementation:
 - Refine the EVP in the light of testing.
 - Rework it into a style that suits the audience.
 - Develop supporting material to assist HR staff and line managers.
8. Monitor the deployment and efficacy of the initial implementation.

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- Determine performance indicators and baseline them before undertaking the implementation, and then monitor movements in the indicators at pre-determined times.
 - Monitor consistency of delivery of the EVP across channels (Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006).
 - Adjust the deployment as indicated.
9. Implement more widely throughout the organisation’s activities.
- Aim to deploy the EVP throughout Human Resource Management activities—HR Strategy, recruitment advertising, job offers, management training, and so on.
 - In particular, build advocates amongst current staff, as this is seen as one of the most credible sources of information (*Employment Value Proposition – Corporate Leadership Council (CLC) Research Summary 2006*). A culture of trust, flexibility and strong organisational values is key in achieving a higher level of staff advocates.
10. Consider aspects of the EVP where the organisation is weak, and develop these in a preferred direction. Then re-develop the EVP, re-iterating through these steps. This will enable the organisation both to grow and develop, and also to respond dynamically to change in its environment.

Taking the contextual dimensions of employee interests and also competitor organisations offerings into account in defining the components and process to be deployed in offering and negotiating the EVP with employees will enable a balance of reward and benefit that is both individual—giving a “resonating focus” that is compelling for the employee—and dynamic—responding to change over time.

Conclusion

The employee’s satisfaction in their working life will be directly related to their value experience. This satisfaction is based on the relationship between the cost to the employee—the work to be performed---and the quality experienced—the total balance of reward and benefit received as defined by the employee. It is this balance between the cost and quality that will lead to competitive advantage for the employer in attraction and retention of quality people.

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