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TOTAL REWARDS:

A MODEL FOR INTEGRATING HUMAN RESOURCES STRATEGY

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TOTAL REWARDS: A MODEL FOR INTEGRATING HUMAN RESOURCES STRATEGY

ABSTRACT

The Canadian Forces (CF), like all employers, is facing unprecedented human resources (HR) challenges arising from changing demographics, evolving social constructs, growing competition for people and ongoing financial constraints. These challenges are magnified within the military environment as a consequence of unique demands related to the nature of the profession of arms. For decades the CF addressed its military HR requirements in an ad hoc or issue based manner, and while significant progress in developing and communicating a more comprehensive HR strategy has been made, a tendency to address single issues through organizationally based, “stovepiped” mechanism remains. A number of private sector organizations have adopted the Total Rewards Model to develop and communicate their HR strategy. The Total Rewards Model provides a systems-based way of thinking about all elements of HR strategy and the basis for developing plans for communicating that strategy. The Total Rewards Model has potential for application in the CF context, not as a replacement for the current HR strategy, but rather, as an adjunct to it. The purpose of this paper is to describe a proposed Total Rewards Model for use in the CF context. The paper provides a short background outlining the current status of the CF HR strategy, an assessment of the environment in which CF HR strategy development takes place, a description and assessment of the proposed model and an example to demonstrate its application in the CF context.

“... attracting, training, employing and retaining good people are critical functions of armed forces and the mainstay of defence policy.”¹

“Military human resources management involves total care of serving members and their families over a working lifetime. It is one of the most complex of all personnel systems – one that must be carefully designed and managed as a total, integrated system”²

INTRODUCTION

Recruiting, retention and motivation are key challenges facing both private and public sector organizations. Successfully meeting these challenges in the military context is critical to delivering defence capability and to the continued effectiveness of the Canadian Forces (CF) in the 21st Century. So great is the “people challenge” facing the CF that Lieutenant General (Retired) F.R. Sutherland, a former Vice Chief of Defence Staff, has described it as, “... *a war on three fronts: first, a war for the hearts and minds of Canadians, who will in the final analysis determine the future construct of the CF; second, a war for the hearts and minds of our people; and third, a war for talent which is intense and intensifying.*”³ In other words, CF human resources (HR) requirements can be met, only, with the full moral and financial support of Canadians in general, with the full commitment of current CF members and by using a competitive HR strategy to attract and retain enough of the right “talent” to meet CF commitments.

¹ Ankersen, Christopher, “The Personnel Crisis”, in *Canada Without Armed Forces?*, ed. Douglas Bland (Kingston: Queen’s University School of Policy Studies: The Claxton Papers III Series, 2003), 55.

² Report of the Auditor General of Canada to the House of Commons, *Department of National Defence Chapters 20, 21, 22, and 23*, Fiscal Year Ended 31 March 1990, 491.

³ Lieutenant General (Retired) F.R. Sutherland, Senior Directing Staff, National Security Studies Course 6, Human Resources Management presentation, 25 March 2004.

Historically the CF HR strategy has relied heavily on an ad hoc, problem based approach to address individual issues as they arise. This approach produces HR policies that address symptoms of problems rather than the real issues at play. As a result, HR strategy has become a complicated and sometimes conflicting collection of policies, regulations and directives that produce frustration at all levels of the organization.

Strategic leadership is responsible for developing the organization's philosophies and policies and for ensuring that appropriate systems that logically flow from those philosophies and policies are in place and monitored to produce the desired effect.

The CF has made significant progress in developing an integrated HR strategy to meet the CF "people challenge". However, additional work to develop a more integrated and holistic or all-encompassing approach to HR strategy and to communicate that strategy in an understandable manner at all levels (strategic to individual) of the organization is required.

While there are many approaches and models for developing and communicating an integrated HR strategy, the Total Rewards Model shows particular promise as a model for integrating CF HR strategy. The purpose of this paper is to propose a Total Rewards Model for use in the complex military context and to outline its potential as a system for assisting in the development and communication of an integrated CF HR strategy. To accomplish this purpose, the paper provides a short background outlining the current status of the CF HR strategy, a strategic assessment of the environment in which CF HR strategy development takes place, a description and assessment of the proposed CF Total

Rewards Model and an example to demonstrate its application.

BACKGROUND

HR Strategy Status. The CF has made significant progress in developing an integrated HR and human capital investment strategy.⁴ However, both internal and external leaders and critics recognize that some fundamental issues have yet to be addressed. The 1990 Report of the Auditor General of Canada (AG) to the House of Commons identified the ad hoc nature of HR management in the CF pointing out that policy development tended to be reactive and focused on individual issues.⁵ The authors of the 2000 *Canadian Forces Human Resources System Review* and more recent commentators indicate that much of the ad hoc, reactionary approach to dealing with military HR management has not changed.^{6,7} Indeed, the HR functional authority, the Assistant Deputy Minister (Human Resources – Military), Vice Admiral G.E. Jarvis, in commenting on a recent initiative to address HR strategy and policy integration issues summarized the current situation in: “*The HR System Transformation Project recognizes the fact that, over the past decade, the CF HR system has suffered from a lack of long-term proactive integrated and strategic planning, and as a result, has become largely reactive to various*

⁴ *HR 2020 Internal Assessment*, ed. by Captain Kathleen Currie (Ottawa: Directorate of Strategic Human Resources Project Report 01/2003, National Defence Headquarters, December 2003), 1-94.

⁵ Report of the Auditor General of Canada 1990..., 490.

⁶ V. Catano, I Jackson, and D. Macnamara, *Report on Canadian Forces Human Resources System Review: A Framework for Effective Human Resource Management in the Canadian Forces*, (Ottawa: HDP Report for the Department of National Defence, December 2000), i-v.

⁷ Ankersen, Christopher, *The Personnel Crisis...*, 55-79.

pressures and issues.”^{8, 9}

Strategy. In looking at HR strategy, a word on strategy in general is required. James Quinn defines strategy as, “*the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole.*”¹⁰ Lykke expressed this strategy concept as an equation: “*Strategy equals ends (objectives toward which one strives) plus ways (courses of action) plus means (instruments by which some end can be achieved).*”¹¹ The Lykke strategy equation can be adapted to express the military HR strategy equation as:

Military HR strategy = ends (HR capability/combat capability) + ways (the personnel cycle) + means (resources, integrated policy, communication and leadership).

The personnel cycle, in the above equation includes attraction, recruiting, training, development and motivation and sustaining strategies, such as personnel assessments, career management and pay and benefits.¹²

⁸ Vice Admiral G.E. Jarvis, Assistant Deputy Minister (Human Resources –Military) commenting on the need for the ongoing CF Systems Transformation Project, January 2004.

⁹ Functional authorities are responsible for developing area specific strategy and policy for the organization and for overseeing implementation plans to realize strategy objectives.

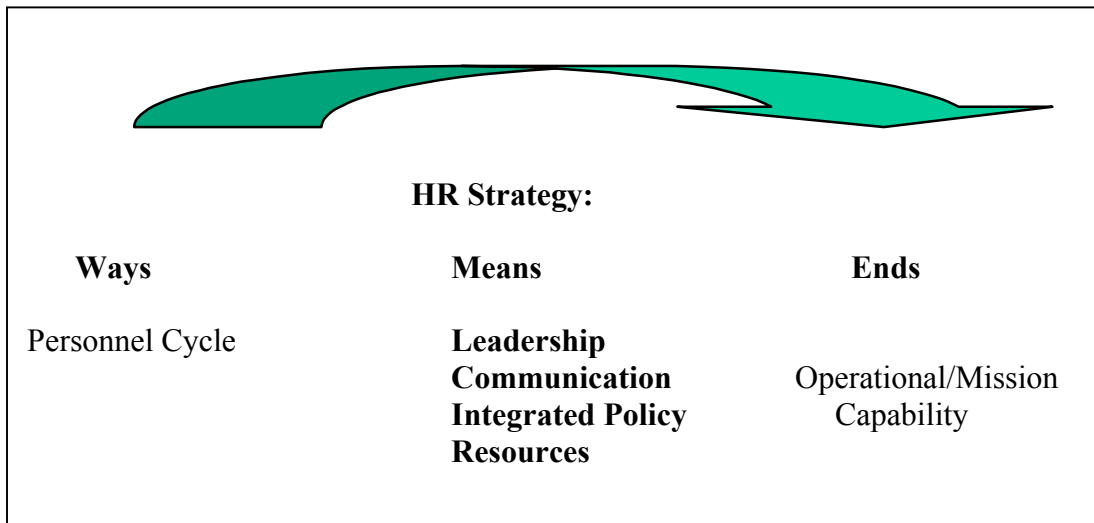
¹⁰ Henry Mintzberg and James Brian Quinn, *The Strategy Process Concepts and Contexts*. 3rd ed. (Elwood Cliffs, New Jersey: Prentice Hall 1995), 5.

¹¹ Colonel Arthur F. Lykke, US Army Retired, “Defining Military Strategy,” *Military Review*, (January-February 1997): 183.

¹² Department of National Defence, *Military HR Strategy 2020: Facing the People Challenges of the Future* (Ottawa: Published under the Auspices of the Chief of Staff ADM(HR-Mil), 2002), 8

Expressed in a more visual way, HR strategy can be depicted as shown in Figure 1: HR Strategy.

Figure 1: HR Strategy



Delta Partners in a 2002 recruiting study noted, “...the CF is in competition with private industry and public institutions in attracting quality employees. Any long term ‘fix’ requires a comprehensive, multifaceted and systematic approach involving the coordination and support of all stakeholders.”¹³ This statement is equally true for meeting retention and motivation challenges. The current HR process focuses more on doing things right than on doing the right things, and it identifies problems and addresses them in responsibility-centre-based policy stovepipes. To do the right things, a shift from the responsibility center-based, ad hoc approach to a more holistic, systems-based

¹³ Department of National Defence, *Canadian Forces Recruiting Improvement Study*, (Ottawa: Partenaires Delta Partners, 2002), vi.

methodology is essential.

Strategy and policies must be proactive and consistent with the desired outcomes, and successful CF HR strategy depends on the CF leadership moving ahead of problems, rather than allowing particular issues to force reactions. Tim McConnell draws attention to the need for proactive action when he quotes a Bytes CIO Magazine article “Here in Body Only” to demonstrate the need for continuous activity in, “*You don’t have to do anything to retain employees when they have nowhere to go. But doing nothing now will lead to problems tomorrow.*”¹⁴ In other words, to do nothing is simply not an option in today’s labour market. The war for hearts and minds is ongoing even when a direct threat is not evident.

With this in mind, CF leaders and HR staffs must act before problems arise. Further, it is only by moving forward in a considered and holistic way that disconnects caused by reaction to problems with their second order negative impacts can be avoided. We can see an example of a second order impact in the situation that developed when recruiting bonuses applicable to stressed military occupations were implemented.¹⁵ While the bonuses attracted many candidates who were subsequently recruited, the payments to new, less qualified members alienated some of the more experienced members and may have precipitated their unscheduled departures.

¹⁴ Tim McConnell, “Retention Strategies for IT Professionals (Part 1): Not a Problem? Think Again,” *Up_ Date*, 2 Issue 3 (January 2004): 11.

¹⁵ A stressed military occupation is one that is not “manned” to the defined minimum level.

Communications. The CF continues to work to develop a comprehensive HR strategy communications plan and has made some progress on this front. However, CF HR communication plans, when implemented, tend to be reactive and single issue orientated. This reactive, single-issue approach has contributed to the perception that CF members are disadvantaged with respect to compensation and working conditions, and it undermines the trust that is so essential to the military ethos and to the military leader-follower relationship. The single-issue approach does not help in the battle for the hearts and minds of CF members, and in some cases, it has actually hampered the advance. Often members do not see the linkages among the various HR activities as they face the maze of complex regulations and orders that leaves them (both leaders and followers) with no clear view of the real value of the CF HR package.

Communication is essential to implementing strategy. In fact, some have said that without communication, there is no strategy. Beverley Allen, a member of the Human Resources Professional Association of Ontario and a contributor to its professional journal, contends that communication is one of the most important components of leadership and that internal communications – communicating with employees, is essential to realizing an organization’s strategy and goals.¹⁶ In the military context, leaders must be able to communicate not just the culture and the essence of the profession of arms, but also, the value to individuals of being part of the profession. Leaders cannot effectively communicate unless they, themselves, understand the message.

¹⁶ Beverley Allen, “A Culture of Communication: Our Employees are Our Most Important Audience,” *HR Professional* (February/March 2004): 34

STRATEGIC ASSESSMENT

Turning to the strategic environment in which the CF operates, it is clear that external and internal pressures will demand new approaches both to deliver CF operational capabilities and to attract, recruit, retain and motivate enough of the right people to meet CF commitments. For the purposes of this paper, external pressures include complex and less recognizable threats to security, demographic and social changes within Canada and increasing competition in Canadian labour markets. Internal pressures include strains arising from internal resource allocations, the unique nature of the profession of arms and the HR systems themselves.

External Pressures: Threats to Security. Threats to security are multi-dimensional and include physical and economic pressures arising from the re-alignment of power bases from a bi-polar to a uni-polar world power environment. This power realignment has allowed diverse threats associated with growing nationalism, the phenomenon of failed states and the increasing activities of non-state actors to flourish. These new threats stand in direct opposition to the pe

spending negatively impacted the CF's operational and combat capability in terms of people, equipment and flexibility. At the same time, aging inventories and the revolution in military affairs imposed a need for increased technology and capital equipment investment.¹⁸ Events, particularly since September 11, 2001, demonstrate the changing threat situation and have emphasized the need for flexible defence capabilities. People remain the basis for developing these capabilities.

External Pressures: Demographic and Social Changes. From a demographic perspective Canada, like other industrialized countries, has an aging population and a declining birth rate. People are living longer, and the fertility rate, which for most of the last decade was 1.7 live births per woman, has fallen to 1.5 live births per woman, while 2.1 live births per woman are required just to replace the population.¹⁹ In keeping with the lower birth rate, the projected CF "recruitable cohort", the population between the ages of 15 and 29, will decrease from 20.2% in 2003, to 17.7% in 2020 and 16.6% in 2026.²⁰ Whether the smaller "recruitable cohort" as a percent of a larger overall population is a real cause for concern is debatable. We know that at least in the near to mid-term, Canada's population will continue to grow, if not from live births, at least from immigration. Hence, in absolute terms, there will be as many or more Canadians in the 15-29 year old age group as there are now. The CF Regular Force ceiling of 60,000 is unlikely to increase, and it is doubtful that the Reserve Force ceiling will increase more

¹⁸ Department of National Defence, *Shaping the Future of the Canadian Forces: A Strategy for 2020* (Ottawa: 1999), 3.

¹⁹ D.K. Foot and D. Stoffman, *Boom Bust and Echo* (Toronto: MacFarlane, Walter Ross, 1996), 9.

²⁰ *Military HR Strategy 2020...*, 11.

than 5,000 to 6,000. Thus, the number of individuals within the “recruitable cohort” may well be sufficient for CF requirements. Nevertheless, the change in the proportion of Canadians in the various age groups is a phenomenon worth watching.

Not only is the “recruitable cohort” as a proportion of the total population shrinking, its nature is changing. Recent projections indicate that by 2015, 80% of the population will live in urban areas.²¹ Since job opportunities and the variety of jobs available are greater in cities than in rural areas, the CF will face greater competition (a more intense war for talent) in the new labour market. Further, Canada is becoming more and more a mosaic of language, ethnicity and religion. This situation will add to the battle for the hearts and minds of Canadians and to recruiting pressures, since many of today’s immigrants arrive from areas where the military is not viewed in a positive way. As well, the changing views of young, more highly educated and “wired” Canadians and the growing multi-cultural population may shift Canadian values concerning the meaning of work, leisure, volunteer activities, employment and unemployment and produce a fragmented view of patriotism that will reduce interest in national service.^{22,23}

External Pressures: Competition for Labour. Current and projected employment levels are approaching the “full employment rate”, that is, the natural structural

²¹ *Ibid*, 11

²² Canada, until March 2004, was described as the most “wired” (connected to the internet) country in the world. The most recent survey indicates the United States has taken the lead and Canada is now the second most “wired” country.

²³ Okros, Captain (N) A.C. “*Into the 21st Century: Strategic HR Issues*”, (Ottawa: Discussion Paper prepared for Defence Management Committee, National Defence Headquarters, 1999), 2-3.

unemployment rate of 6.2%.²⁴ Structural unemployment refers to that level of unemployment that exists even when the economic environment produces potentially unlimited job opportunities. The Canadian structural unemployment of 6.2% unemployed exists as a result of members of the work force transitioning between jobs, lags in reporting employment, seasonable employment factors, etc. Since ongoing unemployment hovers between 7% and 7.5%, demand for labour may soon exceed supply.²⁵ Successful competition for labour in this market will require competitive pay and benefits to attract potential members. However, retention will be highly dependent on the organization's ability to fulfill intrinsic member needs related to career and work place satisfaction as well as the more traditional extrinsic needs such as pay and benefits. Developing and communicating an integrated HR strategy will be critical to ensuring that current and potential members are aware of the organization's will and ability to fulfill those needs.

Government-wide policies impact the CF's ability to compete against potential private sector employers. For example, government pay policy is positioned at the 25th percentile for senior executives/senior officers (colonels and generals).²⁶ As well, according to Treasury Board officials, pay policy for other public service groups, depending on the skills and demand for those skills, is positioned between the 20th to 50th

²⁴ James G. Frank, "*Shifting into 6th Gear in 2003: Briefing prepared for the 2003 Compensation Outlook and Best Practices Conference*," (Toronto: Conference Board of Canada, 31 October 2003), 2.

²⁵ Frank, "*Shifting into 6th Gear in 2003*, 2.

²⁶ *Committee on Senior Level Retention and Compensation – 6th Report*, Carol Stephenson, Chair (Ottawa: Treasury Board of Canada, 2003), 4.

percentile.²⁷ To put this data in perspective, 75 of 100 employers provide higher rates of pay for their senior executives than does the Government of Canada. In other words, in comparison to other employers, government pay policy is benchmarked at the lower end of the scale and, consequently, may not be as competitive as it should be. The Department of National Defence (DND) is bound by government-wide pay policy. Thus, even if the CF/DND had the funding to position itself at a higher percentile to attract and retain CF members, it is unlikely that the more competitive policy would be approved.

A second issue related to the competition for labour is the sheer size of the CF human capital investment. Personnel related costs in 2001/2002 amounted to 53% of the total budget or \$6.2 billion (B). This amount included \$4.7B for military pay, allowances and pension contributions; about \$1B for personnel related costs such as reimbursements for travel and relocation, food, clothing, dependants' education, tuition, medical care, and buildings for education, training and recreation; and \$0.9B for civilian pay and allowances.²⁸ A military pay increase of 1% currently requires a budget augmentation of approximately \$44 million.²⁹ Given the government-wide pay positioning and the budget impact of a pay increase, recruiting and retention strategies cannot rest solely on a pay competition pillar. The CF must continue to adhere to its third Compensation principle:

²⁷ Capt C. Garnier, *Data Request*, (Ottawa: National Defence Headquarters, Director of Pay Policy Development 2-2, 19 February 2004).

²⁸ Department of National Defence, *Making Sense out of Dollars 2002-2003 Edition*, (Ottawa: the Director Budget – Strategic Finance and Economics, Director General Financial, Assistant Deputy Minister (Finance and Corporate Services, 2003), 49.

²⁹ PO1 M.A. Bernard, *Requests From Col Colwell*, (Ottawa: National Defence Headquarters, E-mail Bernard PO1 MA@ADM(HR-Mil) DPPD@Ottawa-Hull, Wednesday, 18 February, 2004 3:45 PM.)

*“Compensation must provide for fair and equitable treatment and support a reasonable standard of living in relation to other Canadians”.*³⁰ However, it is obvious that neither attraction nor retention can be addressed solely through financial mechanisms. There is simply not enough money (and probably there is no basis for using money) to “buy loyalty”.

Internal Pressures: Internal Resource Allocations. Turning now to internal pressures, the first, internal resource allocation arises from the need to balance the operations and maintenance, personnel and capital components of the budget to maximize force generation. There has been a continuous struggle since the Korean War (a struggle intensified by the end of the Cold War, the Revolution in Military Affairs and the current, more diffuse defence requirements related to the “war on terrorism”), to balance internal funding allocations among the personnel, capital and operations and maintenance elements of the budget. In a fixed budget (or even a budget growing at or near the inflation rate) an addition to one budget element requires reduction of another. The Cold War military strategy was capital intensive leading most military organizations, including the CF, to set capital funding targets at 25-30% of defence spending. The CF has rarely achieved that target. In fact, defence capital spending is often comprised of what is left in the budget after personnel and operations and maintenance expenditures are met. John Treddenick holds that a 30% capital target is arbitrary.³¹ While most would agree with

³⁰ John E. Finn, *Report on the Canadian Forces Guiding Principles on Military Compensation Determination*, (Ottawa: HDP Group Report for the Department of National Defence, 2001), ii.

³¹ John M. Treddenick, “Distributing the Defence Budget.” in *Issues in Defence Management*, ed. Douglas Bland (Kingston: Queen’s University School of Policy Studies, 1998), 68.

his reasoning, it is obvious that capital spending at significantly higher than current rates – in the author’s opinion at a minimum, greater than 20%, is required to renew the military equipment assets to meet today’s security requirements. Finding the necessary funds for capital investments will not be easy. Indeed, Dr. F. Pinch postulates: “*The CF will continue to be involved in peacekeeping and related global activities, and will be an institutional partner under both multilateral and bilateral agreements; budgetary constraints, however, suggest that everything military will be scaled down to the essentials.*”³²

Effective capital and personnel investment to ensure the ongoing availability of enough people and equipment to produce defence capabilities is, and will continue to be, essential. Personnel and personnel related expenditures (the HR capability) must be controlled and investments maximized. Since options for scaling back Post-Cold War era HR costs, for example, personnel reductions, structural changes, introduction of information technology, out-sourcing and alternate service delivery, have not produced enough resources for reallocation to meet the challenges, new approaches are required.³³

Internal Pressures: The Unique Nature of the Profession of Arms. The profession of arms is unique in that it includes, at least for Regular Force members, a legislated higher-

³² Dr. F. Pinch, “Managing Change with Shrinking Resources” in *The Postmodern Military: Armed Forces After the Cold War*, eds. Moskos, C.C., J.A. Williams and D.R. Segal, (Canada) 156.

³³ Some of these options are elaborated in Pinch, *Managing Change with Shrinking Resources...*, 156.

level commitment (unlimited liability) than that required of other professions.³⁴ The AG recognized the unique nature of military service in his 1990 Report when he cited such things as the need for in-house training and development, higher levels of personal commitment to a military career, the need for transition into a military career and back to civilian life on completion of a period of service and the CF's responsibility for supporting these transitions.³⁵ A CF HR strategy must support the maintenance of a relatively young population to meet the physical demands of military life particularly at the more junior rank levels and, at the same time, recognize that there is little or no room for horizontal integration ("hiring" from outside the organization) at other than entry levels due to unique military training and development requirements. Thus, the CF is faced with the dual challenge of encouraging and supporting turnover at what in other professions would be early to mid-career points to maintain the younger population required by the rigours of military life and selecting, grooming and retaining other CF members for higher rank and leadership roles at the strategic level.³⁶

Transition strategies to facilitate return to the civilian work force are important in the battles for the hearts and minds of members and for the hearts and minds of Canadians at large. Members should be able to see that they are valued and "taken care of" whether they stay or are encouraged to leave. Canadians at large need to know that the CF system

³⁴ Department of National Defence, A-PA-005-000/AP-001, *Duty With Honour: The Profession of Arms in Canada*. (Ottawa: Published under the Auspices of the Chief of the Defence Staff by the Canadian Defence Academy – Canadian Leadership Institute, 2003), 4.

³⁵ Report of the Auditor General of Canada 1990 ..., 491.

³⁶ Ankersen, Christopher. *The Personnel Crisis...*, 56.

is supportive and fair to be attracted themselves or to encourage their sons and daughters to consider a short or longer career in the CF.³⁷

A recent Australian Defence Force (ADF) report provides a contemporary view of other unique demands placed on members of the profession of arms.³⁸ The Director Pay Policy Development (DPPD) at National Defence Headquarters (NDHQ) confirmed that the issues identified in the ADF Report are applicable in the CF context.³⁹ For example, military members are liable for combat operations and are subject to the military code of service discipline and a statutory/regulatory retirement age below the national norm. They must adhere to an imposed regimented way of life; work long and irregular hours; maintain high standards of fitness; and endure numerous imposed relocations and frequent, long periods of family separation. Further, since CF members are not defined as employees under the *Staff Relations Act*, they have no rights or privileges to be represented collectively, and the protections provided to other Canadian workers under the Canada Labour Code do not apply.

These somewhat negative aspects of the profession of arms demand compensating HR strategies and communication plans to identify the realities of military service. As well,

³⁷ The CF has a number of work place monitoring systems including mechanism of voice such as the grievance and Ombudsman processes, the Directorate of Quality of Life communication process and government wide programs like Employment Equity.

³⁸ Australia, Departments of Defence and Finance Administration, *Review of the Australian Defence Force Remuneration 2001*, (Canberra: Commonwealth of Australia 2001), 8, 11-14.

³⁹ Cdr G.F. Vandervoort, Director Pay Policy Development, NDHQ, discussions with author 30 January 2004.

it is important that communication plans include both positive and negative aspects of service life to ensure that potential recruits are not “scared off” (or “turned off” later in their careers) because the true picture of service life was not provided. While all potential and new employees value what is essentially “truth in advertising”, younger people entering the work force particularly value being told the truth about the work and the work environment. In fact, Dr. Linda Duxbury’s research indicates that younger people are more likely to join and stay with an organization – even a less attractive organization, when they are told the truth about the working conditions in advance of joining.⁴⁰

Internal Pressures: HR System Pressures. HR systems pressures include weaknesses in integrating elements of the HR strategy and a collection of more specific problems. The 1990 AG Report identified a particular concern with respect to the integration of military conditions of service. The AG’s military conditions of service included pay, allowances, benefits, professional development, recognition, support services and family support.⁴¹ At the time of his report, the AG noted that military conditions of service were managed through over 170 policy elements administered by 40 directorates at the NDHQ.⁴² While a number of efforts to integrate HR strategy and policy were successful, the policies and the HR system itself remain somewhat fragmented.⁴³ Obviously, this

⁴⁰ Dr. Linda Duxbury, Professor, Sprott School of Business, Carleton University, Ottawa. Presentation to National Security Studies Course 6, March 2004.

⁴¹ Report of the Auditor General of Canada 1990 ..., 504.

⁴² *Ibid*, 503.

⁴³ Human Resources System Transformation Steering Committee and Working Group Reports 2003.

disproportionate level of input (40 organizations within NDHQ) for managing military HR cannot continue. It does nothing to advance the battle for hearts and minds (it probably has a negative impact by adding to the confusion of who to ask for what), and it takes valuable resources away from the real HR issues and military capability.

THE TOTAL REWARDS MODEL

Having looked at the current status of HR strategy and the environment in which the CF operates, let us turn to the Total Rewards Model. This model provides a strategic tool for examining and explaining the overall value of the HR package, and it acts as a backdrop for thinking about all of the HR elements in a holistic way to facilitate development of an integrated HR strategy and communication plan. The Total Rewards Model can be used to identify the member/employee value proposition and to predict key outcomes expected from interventions affecting the value proposition.⁴⁴

The Employee Value Proposition. The member/employee value proposition is the combination of all the benefits (financial and non-financial) flowing to members as a result of being a part of the organization. Ledford, et al describes the employee value proposition as, “... *the 'deal' in which employees decide to join and more importantly to remain with and expend effort on behalf of the employer.*”⁴⁵ In essence, the term “total

⁴⁴ Paul W. Mulvey, Gerald E. Ledford, and Peter V. LeBlanc, “Rewards of Work: How They Drive Performance, Retention and Satisfaction,” *World at Work Journal* (Third Quarter 2000): 6-18.

⁴⁵ Gerry Ledford, Paul Mulvey, and Peter LeBlanc, *The Rewards of WorkSM What Employees Value*. Study co-sponsored by Sibson and WorlDatWork (September 2000), 6.

rewards” refers to all the “tools” available to the employer that may be used to attract, retain and motivate employees or to improve or preserve the employee value proposition. The focus on all the “tools” available recognizes that pay and other direct and indirect financial benefits are necessary, but they are not sufficient on their own to produce a compelling employee value proposition.⁴⁶

Leaders can use the Total Rewards Model to develop a better understanding of the HR elements, identify the most valued rewards/elements within the organization and infer or predict critical outcomes arising from adjustments within the elements. As well, they can use the model to assist them in positioning the CF as an employer (actually a work place) of choice and to develop strategies and implement plans and policies to develop the affordable HR strategy that best provides the HR elements/rewards that members most value. The model is particularly helpful in answering employer questions like “*what do people value?*” and “*what attracts, encourages retention and motivates or does not?*” and the employee/member questions, “*should I join?*” and later, “*should I leave or should I stay?*”.

Caution. Before describing the proposed CF Total Rewards Model, a word of caution is in order. Strategies and models are normally sector or even organization specific and cannot be transplanted directly from one civilian organization to another, from the civilian to the military context or indeed from one military service to another. Henry Mintzberg cautioned against direct application of business strategies to the government

⁴⁶ Elizabeth G. Chambers, *et al*, “The War For Talent.” *The McKinsey Quarterly*, no. 3 (1998): 48.

context.⁴⁷ Given the unique demands placed on a military organization, this caution must be taken even more seriously in the (government) CF context. Further, best practices and benchmarking, while useful, do not provide answers to HR strategy questions, but rather, they are starting points for developing organization specific strategies.⁴⁸ In this regard, Taggar and Saks warn against too much reliance on “best practices” advocating instead an HR approach that is fitted to, or matched with, the organization’s business and strategy to “*achieve sustained competitive advantage*”.⁴⁹

In addition to the above inter-organization/inter-sector issues, there are other risks associated with using the Total Rewards Model in the military context. These risks or more specifically, the potential downside of using the model are largely related to cultural acceptance of the system and to perception. The model requires a major shift from thinking about elements of HR within the responsible CF directorates to thinking about HR and its elements outside the bounds of the HR element specific directorates. This shift could generate resistance from those within the HR organization, as it could be perceived as a loss of power.

From a perception aspect, there is some concern related to pulling together and displaying the full value of the CF HR package. Indeed, realizing just how valuable the HR package

⁴⁷ H. Mintzberg, “Mintzberg Takes Aim at Business-Style Government”, *Globe and Mail*, 18 April 1996, B9.

⁴⁸ Steven Goss and Haig R. Nalbantian, “Looking at Rewards Holistically,” *WorldatWork Journal* (Second Quarter 2002): 56.

⁴⁹ Simon Taggar and Alan Saks, “Picking the Right HR Practices for a Firm,” *HRM Research Quarterly, York University*, 6, no. 2, (Summer 2002): 2.

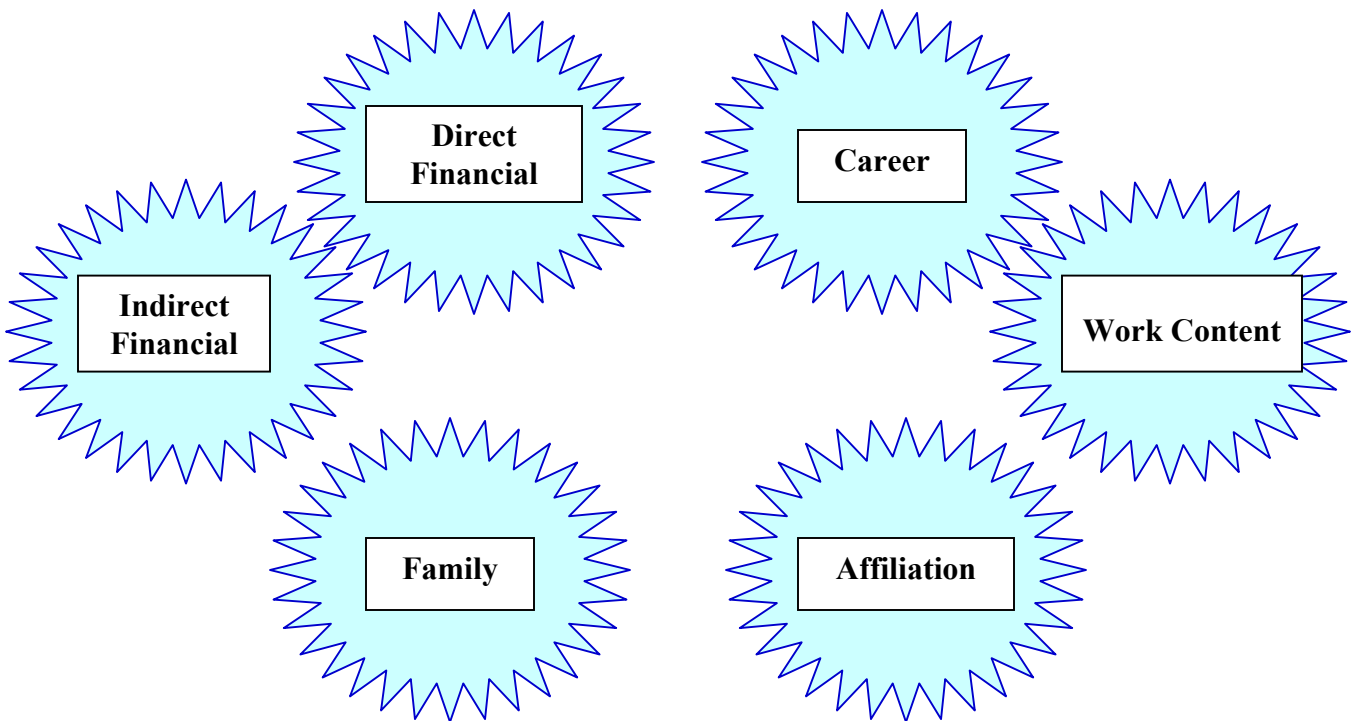
really is, some fear that displaying this full value could lead the Canadian public or Treasury Board officials to believe the package is excessive. This fear is unfounded. While it is clear that some effort to establish a proper context for data would be required, the positive message in support of recruiting and retention far outweighs the potential data miss-interpretation. Canadians who understand the risks members of their forces undertake and the current threat environment in which we all live appear quite willing to pay. Further, Treasury Board officials are well aware of the concept of total compensation (pay, benefits, pension, etc.) since total compensation forms the basis for determining annual CF pay adjustments. Thus, Treasury Board officials may well be more aware of the total value of the CF HR package than are most CF members. Finally, displaying the real value of the HR package would have a positive impact on status, which is a part of the Total Rewards Model element, affiliation. Affiliation and status are described later in this paper.

The Model and Its Elements. The private sector Total Rewards Model includes five rewards categories: “*direct financial (pay), indirect financial (benefits), work content (the work itself), career (long-term opportunities for advancement), and affiliation (feelings of belonging).*”⁵⁰ As will be explained later, the CF is unique in that the family is recognized as an integral part of the member’s work and commitment to the military way of life. Thus, in keeping with the need to align strategy with the nature of the organization, and recognizing the importance of the military family, my proposed CF Total Rewards Model includes a sixth element, family.

⁵⁰ Paul W. Mulvey, *Rewards of Work: How They Drive Performance ...*, 7.

Figure 2: The Military Total Rewards Model portrays the proposed CF Total Rewards Model. The model has two sides. The elements on the left side are financial in that they can be “dollarized”. The value of the elements flows directly to the individual. Those on the right side require a mix of qualitative and quantitative assessments. The value of these elements flows both to the member and to the organization through the member. The HR functional authority, the Assistant Deputy Minister (Human Resources-Military), with assistance from other CF strategic leaders, leads the development of the elements on the left side, while those on the right side are primarily the responsibility of the CF leadership with the functional authority providing necessary support. Box 1 provides an explanation of the model elements

Figure 2: The CF Total Rewards Model



Box 1: The Military Total Rewards Model⁵¹

<p>Direct Financial</p> <p>Direct financial rewards include all monetary elements such as base pay, specialist pay, allowances, recruiting and retention bonuses, incentive and performance pay.</p>	<p>Career</p> <p>Career rewards include satisfaction with long-term opportunities for development and advancement, personal growth, training and education opportunities, job security and transition programs to facilitate movement into and out of the military culture.</p>
<p>Indirect Financial</p> <p>Indirect financial rewards include benefits like retirement, death and disability pensions and insurance, leave, pay protection and recognition programs, imposed restriction benefits and various reimbursement programs.</p>	<p>Work Content</p> <p>Work content rewards come from the work itself and the satisfaction that comes from the work including job responsibility, variety and challenge, the meaningfulness of the work, the degree of autonomy, feed back from superiors and co-workers, work/life balance and the work environment including postings and operations, and command and leadership experience.</p>
<p>Family Support</p> <p>Family support includes Military Family Support Centres, access to personnel support facilities (recreation facilities), leave reunification, spousal benefits such as spousal employment assistance and resume writing, dependant education programs, dependant health and dental insurance and assistance to families while CF members are deployed.</p>	<p>Affiliation</p> <p>Affiliation is the sense of belonging to a respected organization that shares one’s values. It focuses on relationships and includes feelings related to status (economic, social and psychological), the perception of the organization’s commitment to the individual, trust, support and “citizenship and title” (sharing a proud heritage, rank and the military ethos).</p>

⁵¹ This proposed model is based on the WorldatWork model described by Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value ...*, all.

ASSESSING THE MODEL

The Sibson & Company and WorldatWork sponsored, *Rewards of WorkSM What Employees Value* study, referred to from here forward as the ROW Study, is particularly helpful in understanding how members view various HR elements.⁵² While the study's main focus is United States of America (American) employee attitudes, it includes as many Canadian participants as American. The responses were analyzed separately and compared. Some differences were observed, but the evidence is compelling that Canadian employees are not statistically dissimilar from their southern counterparts with respect to work attitudes. This finding is interesting given that Michael Adams, in his book, "Sex in the Snow" contends that there are significant differences in American and Canadian values and their views on work and work satisfaction.⁵³

Most agree that there are differences in Canadian and American general values such as their views on social support networks and international interventions. However, whether there are differences in work attitudes among Canadians and Americans remains a point of debate. The fact that the ROW Study researchers and Michael Adams reached different conclusions regarding work attitudes could be related to differences in focus in that the ROW Study research was specific to work attitudes while Adams' research took a more general view. As well, Adams conducted his research during the mid-1990s,

⁵² Ledford, Mulvey, and LeBlanc, *The Rewards of WorkSM What Employees Value ...*, all.

⁵³ Michael Adams, *Sex in the Snow: Canadian Social Values at the end of the Millennium* (Toronto: Penguin Books, 1998), 106, 110, 115.

while the ROW Study collected data in late 1999 and 2000. In the final analysis, I found no compelling evidence to dispel the 2000 ROW Study results. Further while I have no specific research to validate my view, my own professional experience indicates that CF members view the total rewards elements largely in the same manner as their civilian counterparts.⁵⁴ Thus, the ROW Study results form a prominent part of my analysis of the Total Rewards Model.

The Financial Model Elements. Having set the context for the model assessment, let us turn first to its three financial components: direct financial, indirect financial and family.

Direct Financial: The direct financial reward category (monetary rewards) has the greatest impact on the CF budget. However, it appears that pay increases, while greatly appreciated when delivered, have little lasting impact. Once a new monthly pay amount is established, members soon forget that they received an increase; a new equilibrium is quickly established. Indeed, most CF members and a number of senior leaders are astonished by the fact that non-commissioned members', officers' and senior officers' pay rates have increased by 36.5%, 41.7% and 24.5% respectively since 1997.⁵⁵

The ROW Study indicates that most employees are satisfied with their pay/monetary

⁵⁴ The author's personnel experience includes 30 years in CF leadership, including four years as Director General Compensation and Benefits for the CF.

⁵⁵ Pay History Table for Period 1993-2003, 19 February 2004 and DPPD discussions, January 2004.

rewards but are generally dissatisfied with the “pay process”.⁵⁶ The dissatisfaction appears to be related to a lack of transparency regarding the decisions underlying pay distribution, how work values are established and how people are assigned higher pay levels.⁵⁷ According to data provided by the Director Pay Policy Development at NDHQ, pay process issues are recognized as dissatisfiers in the CF.⁵⁸ Members do not understand exactly what base pay includes, how incentive pay categories are developed, how Specialist Pay is determined or what elements are included in the pay calculation itself. The dissatisfaction with the pay process is often misinterpreted as dissatisfaction with the pay level. Consequently, HR efforts are often aimed at improving pay, a costly and somewhat frustrating endeavour, when less costly efforts to improve transparency, such as better communication and simpler methodologies, could provide better return on investment.

Indirect Financial: Benefit satisfaction appears to be correlated as much with the number of benefits offered as with the benefits themselves. Benefits have different perceived value among men and women and between younger and older populations. Further, benefits are costly, but their value is often not recognized. Given the uneven perceived value and the lack of transparency, benefit changes are unlikely to generate measurable returns. However, communicating the value of the current benefits may well

⁵⁶ Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value* ...9-12.

⁵⁷ *Ibid*, 9-12.

⁵⁸ In fi10.02 0 0 10.02 125. 10EEMC /Span 10.02 122441.1329 108.8401 Tm(retr)Tj10.02 0 0 10.022596.75329 1

generate as much or more return than the actual investment.⁵⁹

Family: Family is a military specific reward category and a critical element of the military way of life. Families wield significant positive or negative influence on the decision to join the CF and exert critical pressure on the stay-leave decision.⁶⁰ The need for family friendly policies is recognized in many private and public sector organizations. Marjorie Young, the Commissioner of the Georgia (State, USA) Merit System, notes, “...a recurring factor cited by employees in the ‘best place to work’ lists is family friendly or flexible work/life policies.”⁶¹ While family friendly policies are important in civilian organizations, the need to provide more direct support for military family members is critical. Because military families play a significant role in ensuring that members perform their duties, support to and for families is a recognized requirement of modern combat and operational readiness.^{62,63,64} Consequently, military HR and communication strategies must include not just the member, but also, the member’s family.

There is some, albeit anecdotal, indication that members who are confident that their families will be taken care of during their absences are more likely to accept frequent

⁵⁹ Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value* ...21-24.

⁶⁰ Nick Jans, *The Real C-Cubed: Culture, Careers and Climate and How They Affect Military Capability*. (Canberra: Strategic and Defence Studies Centre Australian National University, 2002), 95.

⁶¹ Marjorie Young and John Roach, “Accentuate the Positives”, *Workspan*, (May 2003): 52.

⁶² *Ibid*, 95-97

⁶³ Duty with Honour..., 44.

⁶⁴ Report of the Auditor General of Canada 1990 ..., 503.

deployments and are more productive while deployed. This issue is particularly important in high intensity missions like those in Afghanistan and Central Africa where long periods of 100% attention to the work at hand are essential to individual and team safety and survival. Knowing that their families are well supported at home while they are deployed, allows members to better focus on their operational commitments. As well, elements like family reunification travel, access to personnel support facilities and spousal assistance on relocation help members and their families deal with disincentives like frequent deployments and relocations. This assistance probably has a positive influence on retention.

The Qualitative Model Elements. The qualitative elements of the model include career, work content and affiliation. These elements are examined below.

Career: Satisfaction with career opportunities is highly correlated with retention.⁶⁵

Also, career opportunities are very important to recruiting since many young people are attracted to the military by training and development opportunities. Once they become members and learn a skill, they often stay because of the career advancement opportunities.⁶⁶ Individuals will turn down higher paying positions for various reasons and of those who do, 33-50% state that, while higher pay is important, the opportunity for career advancement is *vital* to their value proposition.⁶⁷ The CF has excellent training

⁶⁵ Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value ...*, 25-27

⁶⁶ Gross and Nalbantian, *Looking at Rewards Holistically...*, 55

⁶⁷ *Ibid*, 54.

and career opportunities, and these should be leveraged to support both recruitment and retention. As well, communication regarding the career opportunities available is essential. Unfortunately, such communication is often left to the functional authority when in fact leaders, the credible sources in direct contact with members, should be communicating these elements. Professional development, education and training are intended primarily to meet military requirements. Given the previously noted lack of horizontal integration opportunities at other than entry levels, investment in development and education is essential for producing an “adequate stock of leadership and military knowledge”.⁶⁸ Even though organizationally driven, it is obvious that high levels of investment for military requirements have collateral benefits for individuals. These benefits when known improve member perceptions regarding a military career and build on affiliation.

Training and leadership development are important elements of the post military career transition. Where possible, civilian accreditation for courses should be established.⁶⁹ This action is important given the relatively short military career arising from the need to maintain a somewhat younger CF population. Further, investment in training and education even for those with relatively short careers is of value to the CF because it assists with transition back to civilian life at the end of a period of service adding to the

⁶⁸ Robert R. Morris, *Military Compensation Background Papers: Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds*. 3rd ed. (Washington, D.C.: United States Department of Defence, Office of the Secretary of Defence.1987), 527.

⁶⁹ Many military courses are accredited or recognized by civilian “papers”; e.g. cooks, plumbers, logisticians, HR specialists and some engineering trades.

sense of fair treatment.⁷⁰ By working through the career element, the CF can encourage retention of appropriate numbers of senior leaders and, at the same time, prepare other members to leave the CF. In this respect, members who leave the military with a positive career experience will play an important role in the war for the hearts and minds of Canadians. In predicting the importance of a positive or negative experience and its subsequent impact on the hearts and minds of Canadians, reference to the business world's "law of ten" provides some insight. Under that concept, we would expect a satisfied client (member) to positively influence a small number of friends, family and personal contacts, while a dissatisfied client (member) will negatively influence at least ten times as many contacts. Obviously, it is better to influence a few for the good than many in a negative way.

Work Content: Work content is the highest rated rewards category in terms of its contribution to retention and motivation.^{71,72} The importance of work content, once salaries exceed the basic or "the poverty level", fits into Maslow's Need Hierarchy.⁷³ That is, once members no longer have to worry about "survival", they look to the higher order needs that influence behaviour such as meeting their psychological, social and self-

⁷⁰ Franklin C. Pinch and Claude Hamel, *Terms of Service Survey: What do They Prefer? Attitudes and Preferences of Canadian Forces Members on Terms of Service Policy*. (Ottawa: Submitted to the Director of Military Employment Policy, National Defence Headquarters, June 2000), 7.

⁷¹ Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value ...*, 29-31.

⁷² D.A. Jenkins and R.O. Morrow, *Voluntary Attrition From the Canadian Forces: Quantitative Analysis of Data from the Revised Canadian Forces Attrition Information Questionnaire*, (Ottawa: National Defence Headquarters Sponsor Research Report 2003-14, December 2003): 12.

⁷³ George T. Milkovich and Jerry M. Newman, *Compensation* (Boston: McGraw-Hill Irwin, 2002), 287.

esteem needs.⁷⁴ Identifying and developing work content challenges is both a leadership and a member responsibility. Developing the organization's philosophy, the technical requirements to fulfill military task objectives, and the overall work allocation or personnel allocations for generating defence capabilities falls to the strategic leadership. Further, strategic leadership is responsible for creating the culture/climate required of a learning organization to facilitate the broadening of jobs to provide satisfying and challenging work content. In light of the value placed on the work content element and the importance of work content within the organization, leaders at all levels will need to develop strategies to ensure that work content, which is effectively a no-cost retention element, is maximized.

Delivering on the Promise. Recent recruiting advertising has focused on the job content portraying the CF with all its diverse employment opportunities as an exciting, fast paced and "fun" place to work.⁷⁵ Since recruiting targets over the past two years were largely met, portraying work content in a positive light appears to be an effective recruiting tool. It is important, however, to *deliver* on promised work content. Holding large numbers of recruits in Personnel Awaiting Training Platoons is demoralizing for new and experienced members alike. Similarly, less than full employment for more experienced members or work that appears to be of little or no value in developing and delivering defence capabilities can produce a negative impact on retention and motivation. Again,

⁷⁴ A CF member's income exceeds "survival mode". The corporal journeyman (four years service) base salary ranges from \$44,000 to \$53,000 a year. The current "poverty line" is \$30,000 to \$35,000.

⁷⁵ Dr. Linda Duxbury has identified the element "a fun place to work" as being very important to members of the Nexus Generation (also called Generation Y).

leadership is critical to creating challenging work content and to ensuring that members understand the importance of even the most routine (mundane) aspect of work and how it fits into the whole.

Feedback. Feedback is another aspect of work content. Dissatisfaction with leader feedback has a negative impact on retention.⁷⁶ The ROW Study notes that dissatisfaction with feedback is wide spread among both Canadian and American employees. This finding is particularly troubling because it applies directly to the CF. Members, like employees, want to know how they are doing. In the CF, as in most organizations, mentoring, feedback and encouragement are basic tenets of leadership. The fact that many members feel the need for better feedback is an indication that more attention to this aspect of leadership is required. Feedback requires systems, and strategic leadership is responsible for ensuring that appropriate systems are in place and monitored. Since lack of feedback has a significant negative impact on both retention and motivation, feedback systems and processes should be addressed on a priority and ongoing basis.

Affiliation: Affiliation is perhaps the least tangible of all the reward elements; yet, it may well have the strongest impact. Affiliation refers to the sense of belonging, respect and esteem and is related to the organization's image, its culture, its sense of community and the "specialness" of membership.⁷⁷ It is the essence of loyalty and contributes

⁷⁶ Ledford, Mulvey and LeBlanc, *The Rewards of WorkSM What Employees Value ...*, 33-35.

⁷⁷ Jans, *The Real C-Cubed...*,42.

significantly to member retention and motivation. As previously mentioned, status, which has economic, social and psychological components is an element of affiliation. The level of reward a member feels from affiliation is directly proportional to his or her trust in and perceived support from the organization. It is affiliation that makes military members feel a part of the CF family, and it is this feeling of being part of the family that members frequently report missing the most when they leave the organization. To maximize the perceived value of affiliation, all leaders must be seen to live the military values and culture, and they must communicate the importance of the profession of arms in Canada today. Strategic leaders are responsible for shaping the environment to maximize affiliation. An example of where CF leaders have done just that is the effort to improve the sense of belonging for women, visible minorities, aboriginal peoples, etc. In reality, the CF made little progress in this area until the Chief of the Defence Staff directed strategic leaders to get involved personally and to develop a plan, complete with monitoring and reporting, to create an environment that welcomes diversity. Now that the strategic leadership is shaping the environment, change is occurring and accelerating.

Model Cross-cohort Applicability. In addition to the analysis of the perceived value of the Total Rewards Model elements, the model's applicability across the cohorts is of interest. Contrary to some earlier studies, more recent research indicates that the perceived value placed on the various HR elements is relatively constant regardless of the generational cohort. The ROW Study results show relative consistency in attitudes across cohorts, with only minor differences, most notably differences in the career

category, observed among the Baby Boomers, Generation X and Generation Y.⁷⁸ For purposes of the ROW Study, younger boomers are 36-45 and older boomers 46-55, Generation X includes individuals 26-35 and Generation Y (the Nexus Generation) includes individuals 25 and under. While these groups are not aligned with those described by Michael Adams, they are consistent with Dr. Duxbury's groupings.

Within the career category, members of Generation X looked more like younger boomers than like the Generation Y. A full 60% of the two younger groups identified career as highly important to retention and motivation while only 40% of the boomers considered career as highly important. Generation Y proved somewhat different from Generation X and the boomers in that money (direct financial) and work content were less important for retention (for work content a full 15-20 points below any other group).⁷⁹ The younger groups appeared to be much more focused on the future value proposition than on the current one. The study concluded, "...*there appears to be no evidence that current younger generations are unique compared to earlier generations during their youth. Life cycle seems to be a sufficient explanation for the differences observed.*"⁸⁰ In short, the differences appear to be related to career life cycle with those just starting out and at a mid-point seeing career as much more important than those nearing the end of a career (retirement). Of note, however, is the fact that younger groups tend to have a more short-term view of the future in that they want to see career success earlier in their working

⁷⁸ Mulvey, Ledford, and LeBlanc, *Rewards of Work: How They Drive Performance...*, 14-15.

⁷⁹ *Ibid*, 14-15.

⁸⁰ Ledford, Mulvey, and LeBlanc, *The Rewards of WorkSM What Employees Value...*, 3.

lives. When career movement is rapid, it is important to quickly prepare individuals (personnel development both formal and experiential). If actual rank progression (the overt view of career progression) is likely to be slow, strategies that focus on other elements of the value proposition are required.

The difference in the way members view the value proposition by age group must be considered in developing life cycle total rewards packages and communication plans. What attracts and holds at the entry level will not necessarily apply across the full age and experience spectrum. For example, it is probably safe to assume that members nearing retirement will value affiliation and work content (and/or perhaps even direct or indirect financial benefits because they add value to pensions) more than career. At the same time, members just starting out will likely value career, the future value proposition, over the current financial and work content elements.

USING THE MODEL

Having reviewed the total rewards elements and their perceived contribution to the military value proposition, it is possible to use the results to determine what interventions should be made and the relative costs of such interventions to produce the most significant results in terms of recruiting, retention and motivation. While the series of hypotheses provided in the following summary tables lacks scientific rigour, (each hypothesis would in fact require further investigation to validate the author's views) the summaries do provide an indication of the expected impacts from interventions by model



focusing attention on elements that provide the highest positive impact on recruiting, retention and motivation, the organization can better utilize its resources. Using the six-element Total Rewards Model to guide strategy, each of the total rewards elements can be monitored and assessed on an ongoing basis. Of course appropriate indicators would have to be developed to ensure effective and ongoing assessment.

Using the Model, Example 1. To demonstrate the use of the proposed Total Rewards Model in developing and implementing strategy, let us consider a career element intervention, for example, professional development. Again, looking at Tables 1 and 2 above, we can assume that such an intervention would significantly add to the individual's career satisfaction and would, therefore, positively impact retention and motivation. As well, professional development from the CF's perspective is relatively low cost and provides large return for the organization because it encourages retention, and it better prepares members for the CF mission. Professional development, because it prepares members for new challenges, contributes in a positive way to a second reward element: work content. The positive effects from the career and work content aspects could add to affiliation (and perhaps motivation) as members see that the organization is interested in them.

There is evidence that families are more supportive when the military member is satisfied.⁸¹ Thus, the impact of providing professional development opportunities could be further magnified, if the positive impact feeds back to the family. As previously

⁸¹ Jans, *The Real C-Cubed...*, 97.

indicated, even investments in members having relatively short careers can positively impact recruiting because these people retain a positive view of the CF. These members may return to the Regular Force or move to a Reserve Force commitment in which case the CF investment would be protected well beyond the initial period of service. Further, CF members who leave the military with a positive view of military service – believing that they were fairly treated, recognized and valued, could have a positive impact in the war for the hearts and minds of Canadians. While there is no current research to demonstrate this hypothesis, extrapolating the Jans viewpoint would indicate that the hypothesis has merit.⁸²

Using the Model, Example 2. Let us turn to another simple but more concrete example to demonstrate the model’s application. While this retention example has elements that cross from strategy into policy, it is the systems approach that is important – not the example itself. The example demonstrates the Total Rewards Model’s use in developing a holistic and integrated HR strategy, by enhancing the member value proposition from the total rewards perspective rather than the responsibility centre’s viewpoint.

To look at retention, one should determine why people stay and why they leave. Since the why-people-stay data is not available at this time, the example is based only on why-people-leave data. Table 3 provides the top ten reported reasons for leaving the CF.

These reasons are assumed to be valid indicators of unscheduled attrition trends.

⁸² *Ibid...*, 97.

Table 3: Top Ten Reasons For Leaving the CF^{83,84}

REASON GIVEN	PERCENTAGE
Avoid family separation	16.0
Back to school	15.5
Want more challenging work	14.9
Increased family stability (establishing roots in a community)	13.1
Capitalize on pension	12.5
Better paying job	11.0
Too much time away from home	10.7
Offered a civilian job with more responsibility	10.4
Unlikely to be promoted	6.3
CF career conflicts with spouse's career	4.6

The above data elements, avoid family separation, too much time away from home and challenging work cut across the career, family and work content elements of the model. Addressing these issues would likely have the most impact on retention, motivation and even recruiting. However, in the interest of simplicity we will use the more concrete, better paying job reason for leaving in this example. For the purpose of this model application, we assume that individuals who indicated that they were leaving for a better paying job are younger and relatively junior in rank.

According to the stated reasons for voluntary releases of the 3,623 individuals who left the CF before compulsory retirement, 399 cited pay as the issue.⁸⁵ It is interesting that the stated reason for leaving was not low pay, but rather, the offer of a higher paying job.

⁸³ Dr. Victor Canto and Dr. E. Kevin Kelloway, *Comprehensive Analysis of Canadian Forces Attrition Data, 1988-1999*, (Ottawa: National Defence Headquarters, 2001), 119.

⁸⁴ This data is compiled from 3,623 exit surveys between 1992 and 1999. Given the continuing high PERSTEMPO these reasons are assumed to remain valid.

⁸⁵ Canto and Kelloway, *Comprehensive Analysis of Canadian Forces Attrition Data ...*, 119.

The low number of individuals who identified pay as an issue could indicate that direct and indirect financial elements are already aligned with members' expectations. As well, the stated reason of leaving for a higher paying job may be indicative of weakness in other elements of the value proposition. Further, as we saw in the ROW Study, dissatisfaction with the direct financial element is more likely related to process or understanding of the pay elements than to the actual pay amount. This observation appears to be born out in the CF experience. While there is no data to support my assumption, it is clear that members are generally more satisfied with their pay once they understand that it includes elements such as overtime and shift differentials.⁸⁶ Both of these elements are more transparent in other pay systems because they are listed separately.

Given the process versus actual pay issue, and assuming it is necessary to address the better paying job offer reason for leaving, an integrated longer term and holistic approach is essential. Action using the Total Rewards Model could take three directions: increase pay, communicate the value of the current direct and indirect financial elements (the process issue) or address other rewards elements such as career, work content and affiliation to reorient the value proposition. Starting with pay, the CF value proposition must include a reasonable level of direct and indirect financial rewards, and there is need for balance between early and deferred wealth accumulation. People need a reasonable salary to be attracted to the organization and an accessible and practical retirement plan to

⁸⁶ Commander G.F. Vandervoort, discussions with author 30 January 2004.

support their longer and shorter-term CF career patterns.⁸⁷

The Pay Option:⁸⁸ Referring to Table 1: Military Total Rewards Summary Impact: Member, we can assume that a pay increase would have a low impact on the member. As well, given the strategic environment in which the CF operates, simply paying people more, even if it were possible from affordability and policy perspectives, would likely produce only marginal results at best. We noted previously that a 1% pay increase would cost the Department \$44 M. That 1% increase for a corporal would translate into an after tax monthly bank deposit of about \$26/month or \$13/pay (based on \$48,000 average annual salary). Such a small change is unlikely to be noticed and certainly would not have a lasting impact. Thus, based on cost and the predicted impact on the member's value proposition, a direct pay intervention should be discarded.

The Communication Option: From a communication perspective, the Total Rewards Model allows leadership to focus on two issues: the process (transparency of the process) and identification and communication of the member value proposition. We can improve transparency by better communicating the work elements for which members receive pay. For example, while most are not aware, the CF pay package includes base pay established by benchmarking to the public service; an additional 4% and 6% for officers and non-commissioned members respectively, to recognize overtime; a military factor of

⁸⁷ A retirement plan could include civilian accreditation of military qualifications, post service training or education benefits, severance pay, superannuation, etc.

⁸⁸ The "pay option" refers to a pay increase in addition to normal annual economic adjustments (the annual pay raise).

6.5% and 7% for officers and non-commissioned members respectively, to recognize certain disincentives associated with the demands of military life; other pay elements such as pay for experience (incentive pay categories); and indirect financial benefits such as the value of leave.

Research shows that repeated pay and benefit communications such as an employer provided electronic-statement (e-statement) has a positive impact on recruiting and retention.⁸⁹ The information provided in an e-statement improves process transparency by allowing employees/members to review, in real or near real-time, all the elements of their own direct and indirect financial compensation. As well, when the e-statement is interactive, members can use it to identify the total value of their current packages, to model expected values based on their current and future earnings, and to compare the value of their current and/or future packages with outside offers.⁹⁰ Such modeling contributes to the member's view of career and by assessing the full value of the direct and indirect financial elements, members are in a better position to compare the "better paying" job with their current and future total compensation.

As indicated in the strategic assessment, Canada is one of the most "wired" nations in the world. The e-statement is an ideal communication tool for dealing with the "wired generation". Members entering the CF, today, grew up using the Internet, and they are accustomed to "going on line" to find all manner of information. An interactive e-

⁸⁹ Beverly Jackson, "Communicating Total Rewards Real-time" *Workspan*, (May 2003): 70

⁹⁰ *Ibid*, 69.

statement would likely increase Generation Y members', and quite possibly Generation X members', confidence in the data presented. Further, the e-statement could be linked to other elements of the Total Rewards Model. With proper links established, members might be attracted to the Total Rewards site to determine the value of the direct and indirect financial compensation and, through hot links, guided to other less obvious but perhaps more highly valued model elements.

The CF already has a rudimentary compensation calculator that could be used as the basis of an e-statement. As well, monthly pay statements can be accessed through the CF Intranet. These elements could form part of a web-based total rewards tool. Existing models such as predictive models for time in rank by trade and classification and time out of country by trade, classification and CF environment (sea, land, air) could be added. Populating the career, work content and affiliation elements of an electronic Total Rewards Model would require CF leadership input and HR functional authority coordination. An e-model, or web-based interactive site is not a replacement for senior leadership communication, but it could be a good tool both for members and the leadership in understanding the evolving member value proposition and the total rewards of military service. Once all six-reward elements are populated, members could use the Total Rewards Model website to establish and monitor the evolving value of the CF HR package. Leaders could use the material to focus their own communications strategies and to integrate HR strategies to address or prevent shortcomings within components of the model or with the HR package itself.

Other Total Rewards Elements: The third type of intervention, addressing other elements in the rewards framework, could provide a low cost high return option. For example, addressing elements in the career category and informing members of the value of these elements could provide significant returns in retention and motivation regardless of pay. Other interventions could include addressing family issues and adjusting the work content elements. Of course, simply communicating the value of the Total Rewards Model elements grouped in the career, work content, affiliation and family categories could produce equally beneficial results.

CONCLUSION

The purpose of this paper was to propose a Total Rewards Model for use in the complex military environment and to show its potential as a system for assisting in the development and communication of an integrated CF HR strategy. The paper provides a view of the current status of HR strategy development, a strategic assessment of the environment in which the CF HR strategy is developed, a description and assessment of the proposed CF Total Rewards Model and examples to demonstrate the model's application.

While the CF has made great progress in developing a more integrated HR strategy, strategy development remains somewhat ad hoc and responsibility-centre bound and, hence, sub-optimal in addressing the identified “people challenge” of the 21st Century. The proposed CF Total Rewards Model assists in developing an integrated HR strategy

by freeing the process from responsibility-centre encumbrances that focus people on the issues for which they are directly responsible and guiding them to think about all the HR elements and their inter-relationships. As well, the model supports a better understanding of the member value proposition, and it can be used to predict or infer critical outcomes arising from adjustments to that proposition. The total Rewards Model can assist in positioning the CF as a work place of choice and in developing strategies and plans to provide the affordable HR strategy that offers the rewards that members, (future, current and former) value most. Finally, the model facilitates the development of key messages and helps leaders to understand and communicate the total value of the HR package.

Winning the war for talent (and the war for the hearts and minds of Canadians and CF members) requires an integrated, transparent and holistic HR strategy that brings all the ways, the elements of the personnel cycle, and all the means, resources, integrated HR policy, communications and leadership, together. The total rewards model, while not a replacement for current HR strategy, is a valuable system for developing a more integrated strategy and for communicating the strategy and the member value proposition to support CF recruiting, retention and motivation.

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