



Human Capital Management
& Payroll Software/Services

The Hidden Costs of Traditional Compensation Approaches

Whitepaper

May | 2025

Total Rewards Strategy: Beyond Salary in Australia's Competitive Talent Market

Amid the seismic shifts reshaping Australia's employment terrain, organisations face unprecedented challenges in attracting and retaining top talent. With job mobility at historic highs and skills shortages affecting multiple sectors, employers must look beyond basic salary packages to create compelling value propositions for employees. This article explores how a comprehensive total rewards strategy can provide Australian businesses with a competitive advantage in the talent marketplace and how HCM solutions like ichris can streamline implementation.

The Evolving Australian Talent Landscape

Recent data from the Australian Bureau of Statistics (ABS) reveals that job mobility rates have reached 9.5%, the highest level in a decade, with approximately 1.3 million Australians changing jobs annually (ABS, 2023). Meanwhile, a survey by the Australian HR Institute (AHRI) found that 63% of organisations report difficulty filling critical positions, with technology, healthcare, and professional services facing the most severe talent shortages (AHRI State of the HR Profession, 2024).

"The 'Great Resignation' may have peaked, but we've entered an era of continuous reassessment where employees regularly evaluate whether their current role aligns with their personal and professional goals," notes Dr. Sarah Chen, workplace researcher at Deakin University. "Salary remains important, but it's just one factor in a complex decision-making process."



Components of an Effective Total Rewards Strategy

A truly effective total rewards strategy incorporates multiple elements that collectively address employees' diverse needs:

Financial Compensation: Beyond base salary, this includes performance bonuses, profit sharing, equity options, and other monetary incentives. According to KPMG's Australian Remuneration Survey (2024), organisations offering variable pay components report 22% higher retention rates compared to those with fixed-salary-only models.

Benefits and Perquisites: Health insurance, retirement plans, childcare subsidies, and lifestyle perks like gym memberships or wellness programs. Research by SuperFriend (2023) indicates that 76% of Australian workers consider health and wellbeing benefits "very important" when evaluating job opportunities.

Work-Life Effectiveness: Flexibility in work arrangements, generous leave policies, and family-friendly practices. The Workplace Gender Equality Agency (WGEA) Employer Census (2024) found

that organisations with comprehensive flexibility policies experienced 34% lower turnover among primary caregivers.

Recognition Programs: Both formal and informal acknowledgment of employee contributions. According to Gallup research, employees who receive regular recognition are five times more likely to feel connected to their company culture and four times more likely to be engaged (Gallup, 2023).

Career Development: Learning opportunities, mentorship programs, and clear advancement pathways. LinkedIn's Workplace Learning Report (2024) revealed that 94% of employees would stay longer at a company that invests in their career development.

Workplace Culture: A positive, inclusive environment where employees feel valued and supported. The Diversity Council Australia's Inclusion@Work Index (2023) shows that inclusive workplaces have significantly higher employee satisfaction scores and innovation outputs.

Australian Legal and Tax Considerations

Implementing a total rewards strategy in Australia requires careful navigation of our unique regulatory landscape.

Salary packaging opportunities, when structured correctly, can provide tax advantages for both employers and employees. For instance, the Australian Taxation Office (ATO) allows certain benefits to be provided in a tax-effective manner through salary sacrifice arrangements. Common examples include novated leases for vehicles, additional superannuation contributions, and some work-related expenses.

However, the Fringe Benefits Tax (FBT) implications must be considered carefully. While some benefits are exempt from FBT (such as portable electronic devices primarily for work use), others may trigger tax obligations that offset their perceived value.

"We've seen many organisations implement rewards programs without fully understanding the tax implications, resulting in unexpected costs and administrative burdens," explains Michael Wong, Tax Partner at EY Australia. "A well-designed program takes into account the specific FBT status of each benefit offered."

Employee Segmentation: Tailoring Rewards to Different Demographics

Research by McCrindle (2023) highlights significant generational differences in reward preferences among Australian workers:

- Gen Z (born 1995-2012) and Millennials (born 1980-1994) prioritise flexibility, purpose-driven work, and continuous learning opportunities.
- Gen X (born 1965-1979) often values work-life balance and healthcare benefits.
- Baby Boomers (born 1946-1964) frequently prioritise retirement benefits and recognition for expertise.

However, generational stereotypes should be treated cautiously. A Mercer Australia study (2024) found that individual life stage and personal circumstances are often stronger predictors of benefit preferences than generational cohort.

Industry context also matters significantly. For example, the Australian Financial Review's Best Places to Work Study (2024) revealed that tech sector employees place higher value on equity opportunities and continuous learning, while healthcare workers prioritise wellbeing programs and schedule flexibility.

Measuring ROI on Total Rewards Programs

For total rewards strategies to remain sustainable, organisations must measure their effectiveness. Key metrics to track include:

- Cost of turnover (recruitment, onboarding, productivity loss)
- Employee engagement scores
- Absenteeism rates
- Performance outcomes
- Recruitment success rates

Research by PwC Australia (2024) indicates that organisations with data-driven approaches to rewards optimisation achieve 27% higher returns on their total rewards investments compared to those using primarily intuition-based allocation.

Technology as an Enabler: The ichris Advantage

Managing a sophisticated total rewards program manually is virtually impossible in today's complex environment. Integrated Human Resource Information Systems (HRIS) like Frontier Software's ichris provide the infrastructure needed to implement, administer, and optimise total rewards strategies.

The ichris platform offers several key capabilities that support effective rewards management:

- **Integrated Payroll and Benefits Administration:** Seamlessly manages multiple compensation components while ensuring compliance with Australian tax regulations.
- **Performance Management Integration:** Links rewards directly to performance outcomes, supporting a pay-for-performance culture.
- **Employee Self-Service Portal:** Allows employees to select and customise benefits packages to their individual needs, increasing perceived value.
- **Comprehensive Reporting and Analytics:** Provides data-driven insights into program effectiveness and return on investment.
- **Compliance Management:** Updates with changing regulations and learning materials to ensure ongoing adherence to Australian labour laws and tax requirements.



Implementation Strategy

Implementing a comprehensive total rewards strategy requires careful planning:

1. **Audit Current Offerings:** Evaluate existing compensation and benefits against market benchmarks and employee preferences.
2. **Define Strategic Objectives:** Clarify what the organisation aims to achieve through its rewards strategy (e.g., retention, performance, attraction).
3. **Segment Employee Population:** Identify different employee groups and their unique needs and preferences.
4. **Design Program Components:** Develop specific offerings aligned with both employee needs and organisational objectives.
5. **Implement Technology Infrastructure:** Deploy systems capable of administering complex rewards programs efficiently.
6. **Communicate Effectively:** Ensure employees understand and appreciate the full value of their total rewards package.
7. **Measure and Refine:** Continuously evaluate program effectiveness and make data-driven adjustments.

In Australia's competitive talent market, organisations must move beyond traditional salary focused approaches to develop holistic total rewards strategies that address the diverse needs of their workforce. By leveraging technology solutions like Frontier Software's ichris, businesses can implement sophisticated rewards programs that provide a genuine competitive advantage while maintaining administrative efficiency and regulatory compliance.

As the employment landscape continues to evolve, those organisations that can align their rewards strategies with both business objectives and employee values will be best positioned to attract, engage, and retain the talent needed to drive success.

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Frontier Software is a leading software and services organisation specialising in digital transformation for payroll and HR solutions. With over 40 years of industry experience, our comprehensive solutions are trusted by businesses across the globe. Our expert team is dedicated to helping organisations streamline their payroll and HR processes, ensuring compliance, accuracy, and efficiency. Looking to enhance your payroll and HR processes? We can help you optimise your existing Frontier Software solution or create a completely new system tailored to your business needs.

“Commitment to customer service is our number one priority.”

Michael Howard, Founder

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