

Implementing flexible reward scheme: one step closer to better employer status 1/19/23



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During the pandemic, Latvian companies faced unprecedented challenges around remote working, when the entire corporate culture came up for overhaul.¹ The biggest challenges arose from the need for flexibility as the traditional eight-hour working day at the office was upgraded with the option to connect remotely at the employee's convenience. Some companies cancelled the full-time office presence requirement altogether and set up alternative working arrangements with variable hours, places and conditions. Flexibility became a key aspect in keeping employees motivated and loyal. This article explores the rapid development of flexible reward schemes.

What is a flexible reward scheme?

Flexible reward allows employees to supplement their remuneration with goods or services (meals, contributions into private pension funds, health insurance) by joining the employee bonus scheme of their choice. According to the U.S. Bureau of Labor Statistics, in 2021 flexible reward was available to 31% of central and local government employees, 35% of employees in the education system, and only 11% of people employed by private companies.

Such a reward scheme allows the employees to choose benefits they need, and their net salary is in fact increased by benefits that are not taxable because of reduced tax liabilities.

Advantages of a flexible reward scheme

The popularity of flexible reward is mainly due to benefits at company level.

Company advantages

- **Attracting and retaining talent:** A flexible reward scheme is one of the ways to differentiate the company from others by allowing its employees to feel valued, as this gives the impression that the company looks after each employee's needs.
- **Increased loyalty:** Employees know the company is interested in their wellbeing.
- **Increased productivity:** The more motivated the employees, the lower the staff turnover (Kriss et al., 2021). Nowadays companies combine multiple benefits in a single package, allowing employees to make a choice according to their interests (Poór et al., 2018, Poór & Óhegyi, 2013).
- **An improved corporate image:** Flexible reward may change how employees and potential employees see the company, promoting improvements to its corporate culture (Richman et al., 2008).

Employee advantages

- **Increased purchasing power for employees:** Flexible reward offers the opportunity to choose benefits that are not taxed.
- **A better balance between work and private life:** The choice of benefits may promote the wellbeing of employees in different ways.

What needs to be considered before launching a flexible reward scheme?

If your company is considering launching a flexible reward scheme, there are various factors to address. Your corporate mentality, ethics and principles lie at the heart of it.

Your company should consider both short-term and long-term methods for financing flexible reward. This involves not only planning your finances and adopting or varying your benefits package but also the availability of administration staff to respond to your employees about the content, processes and administration matters of your scheme.

Implementing a flexible reward scheme requires careful planning. Data should be analysed and communicated to ensure fairness, transparency and objectivity. Companies that launch their flex scheme successfully can expect higher levels of employee motivation and productivity.

PwC invites you to a free webinar "Diversity in pay and fringe benefits: present or future?" on 17 May at 10:00. PwC experts from the Baltics and Romania will be discussing the advantages of an individualised personnel strategy and how this can contribute to your company's competitiveness in the labour market. For details click [here](#).

¹ ILO study, 2022