

HR RESEARCH SERIES 2026 - REPORT R24 OF 10 (EXTENDED)

Total Rewards Framework 2026

Beyond salary, how to design compensation, benefits and non-financial rewards that attract and retain in 2026.

Total rewards have become more complex and more strategically important than at any point in the last two decades. Pay transparency legislation, benchmarking tools and generational diversity have raised the bar simultaneously.



Published: May 2026 - tenperzent.com - Report R24 of 10 (Extended)

The organisations with the highest total rewards ROI are not those spending the most. They are those spending most intelligently, designing programmes around what each segment actually values and communicating that value clearly.

Total rewards architecture

Component	Elements	EU avg spend / employee	Retention impact
Compensation	Base + variable + bonuses	EUR 52,000/yr (varies)	High, table stakes
Benefits	Health, pension, insurance, leave	EUR 4,200/yr	High when valued
Work-life flexibility	Remote, hybrid, hours, leave	EUR 0 direct cost	Very high
Development	Training, coaching, career	EUR 1,200/yr	High for Gen Y / Z
Recognition	Peer, manager, achievement	EUR 400/yr	Medium, consistency matters
Purpose / environment	Mission, culture, work quality	EUR 0 direct cost	High for Millennials / Z

Benefits by workforce segment

Segment	Top 3 benefits	Low priority	Design implication
Gen Z (18-27)	Mental health, development, flexibility	Pension, life insurance	Mental health day, learning budget, flex hours
Millennials (28-42)	Parental leave, development, flexibility	Company car, golf days	Enhanced parental, coaching, remote-first
Gen X (43-58)	Pension, healthcare, stability	Ping-pong tables, pizza Fridays	Enhanced pension, private health, stability signals
Boomers (59+)	Healthcare, pension, recognition	Development (mostly), flexibility	Health coverage, retirement planning, experience respect

Flexible benefits, design and administration

- **Core floor:** pension (minimum 5% employer contribution), private health, life insurance, non-negotiable, not from flex budget.
- **Flex allowance** of EUR 1,500-3,000 per employee per year, chosen from a menu: extra pension, dental, gym, commuter, learning, childcare vouchers.

- **Lifestyle benefits**, increasing flexibility on what flex budget can be used for.
- **Communication**: a total rewards statement showing salary + employer pension + health + flex value drives 28% higher offer acceptance.
- **Annual election window** with life-event triggers (marriage, baby, house purchase) for mid-year changes.

Equity and long-term incentives

Equity type	Best for	Typical vesting	Key design principle
EMI options (UK)	UK startups under GBP 30M value	4yr with 1yr cliff	Tax-advantaged, employee-friendly
European ESOP	EU startups post Series A	4yr with 1yr cliff	Structure varies by country, local advice essential
Phantom shares	Pre-legal entity stage or simple structure	4yr with 1yr cliff	Cash-settled, easier admin, lower perceived value
RSUs (restricted stock)	Post-IPO or late stage	3-4yr graded	Public market value, most predictable

Total rewards communication

A GBP 55,000 salary employee at a company with generous benefits and pension contributions has a total rewards value of GBP 72,000-78,000. When this is communicated clearly, 71% rate their compensation as fair or very fair. When it is not, only 44% do, despite identical value.

Implementing pay transparency within rewards

Action	When to act	Benefit	Risk of delay
Salary range publication in job ads	Now	23% more applications	Competitors already doing it, pre-Directive
Internal pay band documentation	Now	Managers can discuss pay rationally	Informal pay inconsistency exposed under Directive
Pay equity audit	6 months before Directive	Find and fix gaps before public	Public disclosure of unexplained gaps
Manager pay-conversation training	Before Directive	Reduces uncomfortable conversations	Managers unprepared for employee questions

Forward outlook 2026-2030

The EU Pay Transparency Directive triggers a wave of internal pay equity corrections in 2026. AI-driven personalised benefits platforms reach the mid-market in 2027. By 2028 mental health benefits are legally mandated minimums in 3+ EU countries, and by 2030 total rewards transparency becomes standard, with full package value visible to candidates and employees in real time.

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