2025 Future of Total Rewards Report

Global Highlights

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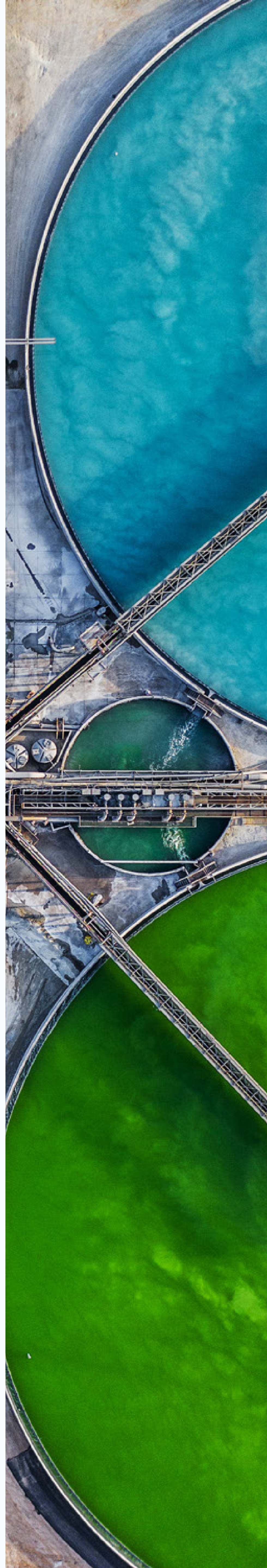


About the Study

Aon's Future of Total Rewards Report is based on findings from our Total Rewards Strategy Survey and insights from Aon's team of human capital specialists.

The study provides insights on talent and total rewards challenges employers are facing today relative to their future priorities.

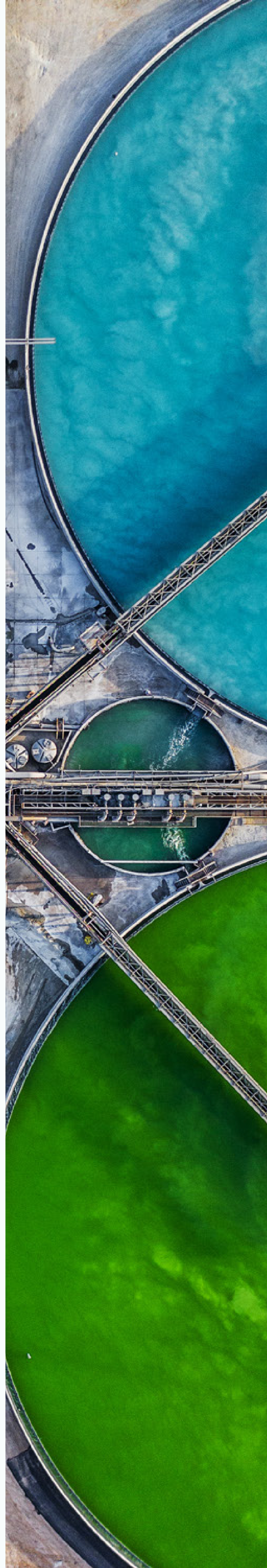
These insights will equip senior business, human resources, and people leaders with opportunities to optimize people investments, and deliver an actionable and sustainable total rewards strategy.

Data Methodology

In April 2025, Aon conducted an Employer Total Rewards Strategy Survey, with over 620 participants from organizations across North America, LATAM, APAC, and EMEA.

Survey participants represent both multinational and single-country companies spanning all industries, with mid- to large-sized workforces (100,000+ employees).

Participant Figures and Demographic Profile



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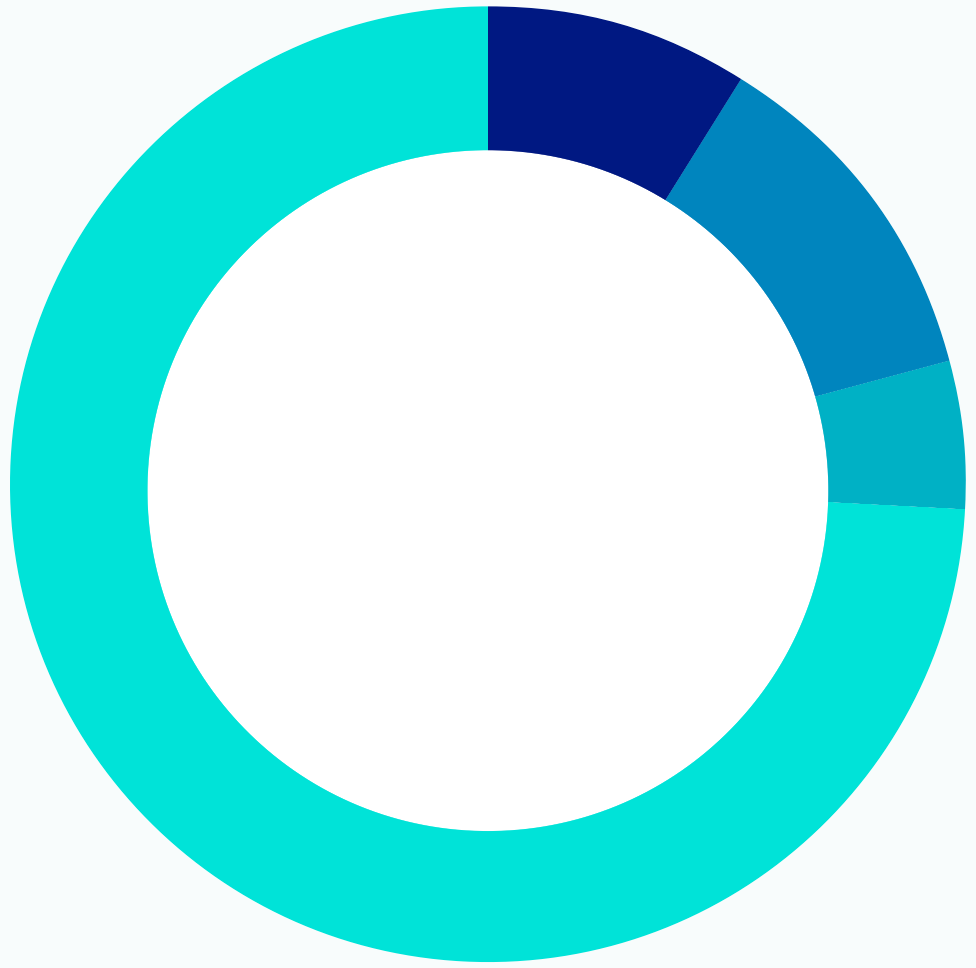
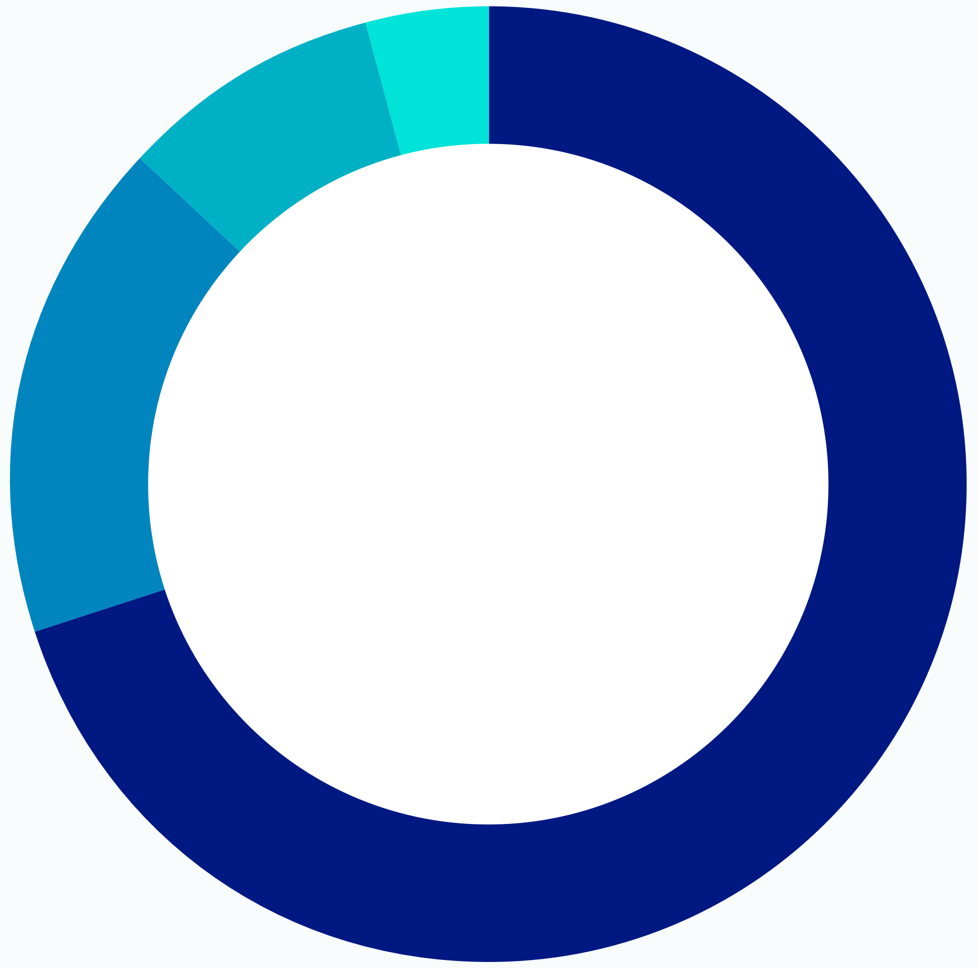
Geographics



APAC	9%
EMEA	12%
LATAM	5%
NA	74%

Size (by headcount)



<5,000	70%
5k<25k	17%
25k<100k	9%
100k+	4%

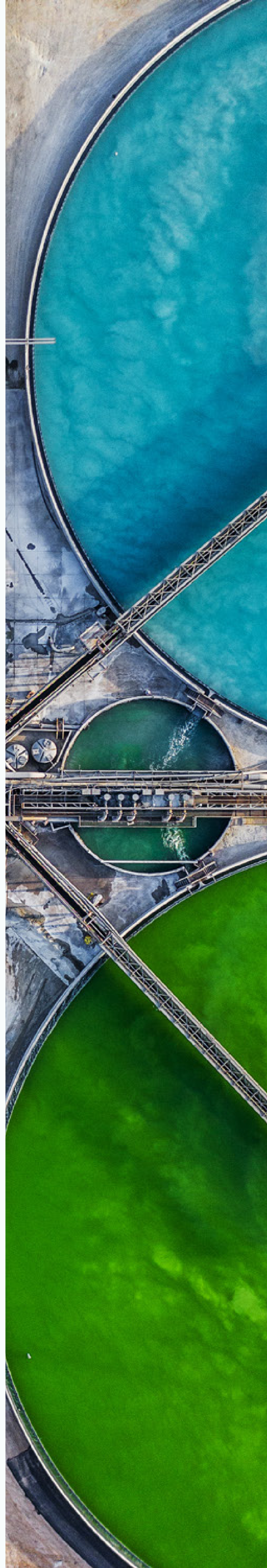
Industry

Energy	6%
Retail/Hospitality	10%
Manufacturing/ Transportation	19%
Consumer Products	3%
Government/NFP	5%
Financial Services	17%
Health Systems/ Hospitals	4%
Technology	17%
Consulting/ Professional Services	8%
Life Science	11%

32%

of participants have global total rewards responsibilities.

Executive Summary



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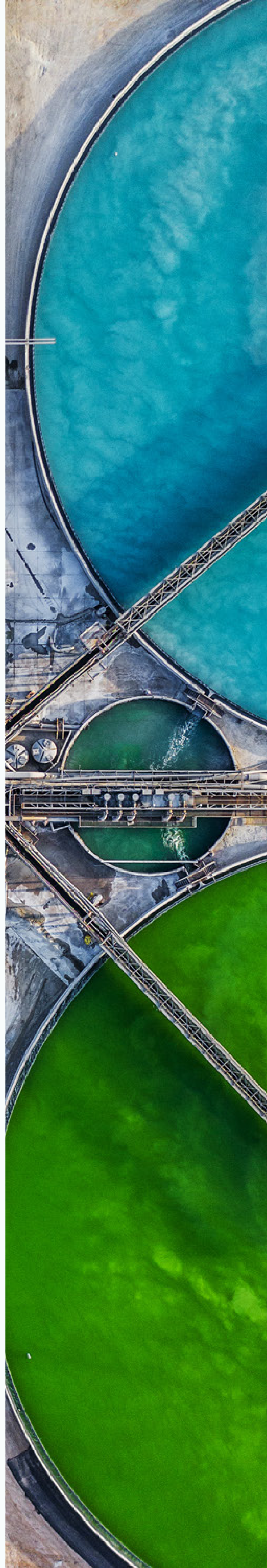
Organizations are entering a new era of total rewards – one defined by the need to deliver greater value to both the business and the workforce. As cost pressures mount and employee expectations evolve, business leaders are rethinking how they invest in their people. Aon's 2025 Future of Total Rewards Report reveals a decisive shift away from traditional, one-size-fits-all models toward more personalized, performance-based, and ROI-driven strategies. Flexibility, wellbeing, and career development have emerged as critical levers for attracting and retaining talent in a dynamic and competitive labor market.

The findings underscore the importance of aligning total rewards with business outcomes through integrated, data-informed governance. Employers are prioritizing measurable impact, rebalancing spend and modernizing their approach to meet the needs of a diverse, evolving workforce. With rising healthcare costs, flattening salary budgets, and rapid skills disruption driven by AI and automation, the imperative is clear: **organizations must optimize every rewards dollar while delivering a compelling and differentiated employee experience.**

Key Findings



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01

Total rewards strategies are being rebalanced to navigate cost pressures.

02

Shifting expectations require differentiation through performance, wellbeing, and culture.

03

Career growth and upskilling are central to a sustainable employee value proposition.

04

Return-on-investment and centralized governance are imperative for long-term impact.

4

Total rewards strategies are being rebalanced to navigate cost pressures.

Nearly half of employers report a greater focus on cost management compared to just a few years ago, placing it alongside revenue growth and talent attraction/retention as a top priority. As organizations face unprecedented budget constraints, they must balance growth goals with disciplined investment, making it essential for every total rewards dollar to deliver measurable value.

Calls to Action:

- Integrate talent strategies with business growth objectives.
- Balance investments in people with disciplined cost management.
- Maximize ROI by prioritizing initiatives that deliver measurable impact.

Top Business Priorities – Global/Regional Outlook

	Global	NA	LATAM	EMEA	APAC
01	**Revenue growth**	Revenue growth	Attract and retain the right talent	Profitable growth	Profitable growth
02	**Profitable growth**	Attract and retain the right talent	Profitable growth	Revenue growth	Revenue growth
03	**Attract and retain the right talent**	Profitable growth	Revenue growth	Customer focus/ management	Customer focus/ management
04	**Customer focus/ management**	Customer focus/ management	Customer focus/ management	Attract and retain the right talent	Attract and retain the right talent
05	**Cost management and/or reduction**	Cost management and/or reduction	Launch new products and services	Increase share in existing markets	Cost management and/or reduction

While regions share common priorities, the order and emphasis reflect distinct regional business strategies and local challenges.

4

How Business Priorities Are Impacting Total Rewards

90%

say revenue and profitable growth, and talent attraction and retention are top three priorities.

46%

say cost management and/or reduction is more important than it was a few years ago.

72%

say cost constraints are the top barrier to achieving total rewards success.

34%

say total rewards redesign is needed to drive more effectiveness.

Budget Pressures Require Tough Trade-Offs

Salary increases are flattening or declining, while healthcare costs are rising at 4x the rate of inflation and 3x the rate of pay. Over one-third of total rewards budget increases will be consumed by healthcare costs, forcing organizations to make tough trade-offs.*

*Aon's 2025 Salary Increase Study; IMF World Economic Outlook April 2025

4 Expected Reallocation of Total Rewards Budget is Significant

4.5%

of total rewards costs to be re-invested differently than today.

Employers expect to reallocate to:

- **Drive Performance**. Shift from across-the-board fixed pay increases to performance-based incentives, with greater distinction in rewards for high performers, and increased focus on career development and upskilling.
- **Stabilize Health**. Maintain competitive health benefits while finding opportunities to manage and contain future rate of increase.
- **Deliver Holistic Wellbeing and Choice**. Empower employee performance and engagement with better emotional and financial wellbeing tools.

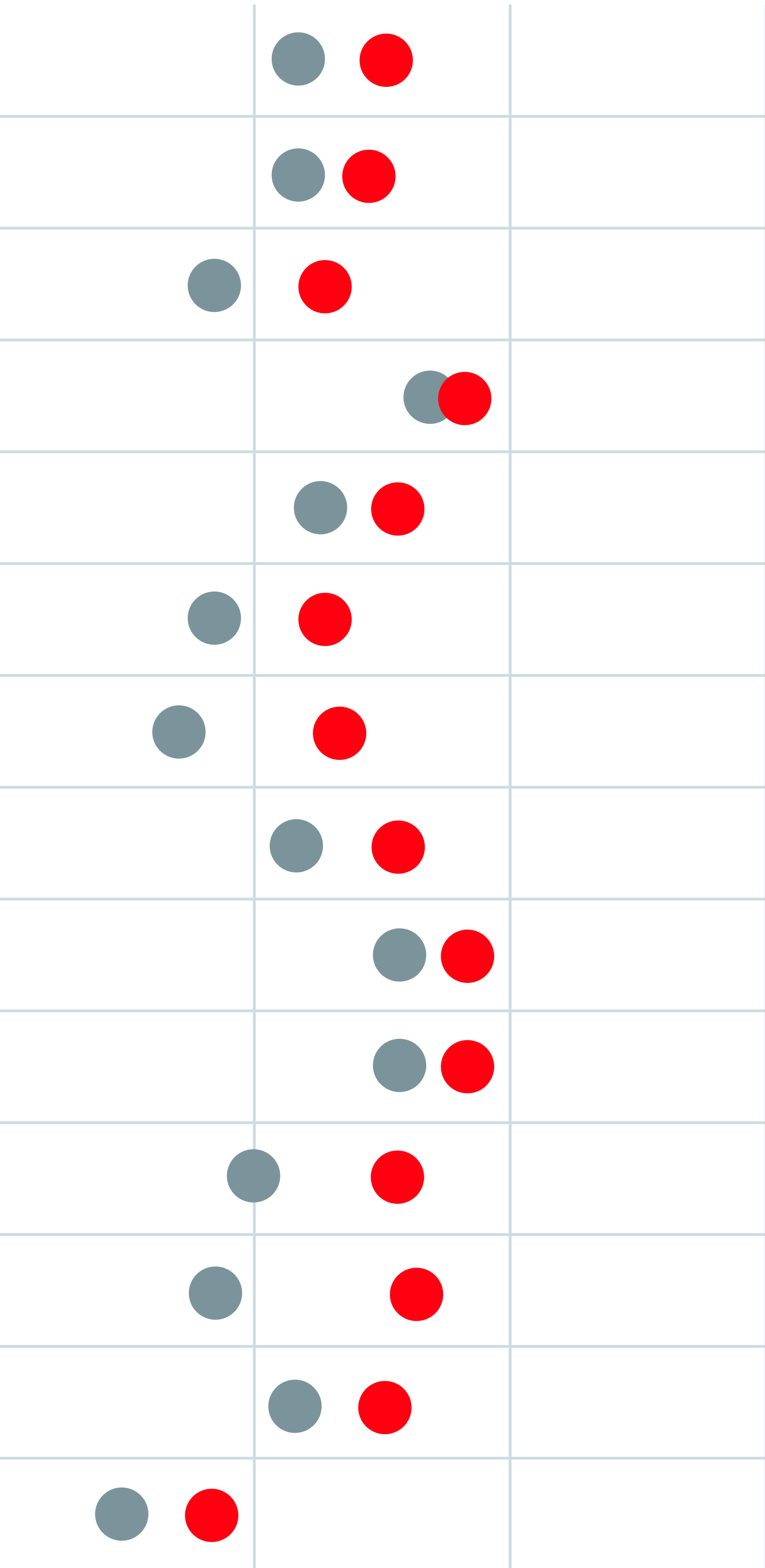
Reallocation of 4.5% of Total Rewards Budget is Significant

$4.5m of $100m	**$45m** of $1b	**$450m** of $10b

4

How Employers Will Reallocate Spend to Stay Competitive

Current vs. Future Competitive Market Position.



	Below at least 50% of other organizations	Target 50th percentile/ at Market	Exceeds 50% of other organizations	Exceeds 75% of other organizations	Exceeds 90% of other organizations
Base Pay				2.1	2.4
Annual bonus target				2.1	2.3
Long-term incentives/equity target				1.9	2.2
Healthcare Benefits				2.6	2.7
Retirement Plans				2.3	2.5
Physical Wellbeing Programs				1.9	2.2
Financial Wellbeing Benefits				1.8	2.2
Emotional/Mental Wellbeing Benefits				2.1	2.4
Paid Time Off				2.4	2.6
Workplace Flexibility				2.4	2.6
Career Development				2.0	2.5
Skill-Building				1.9	2.5
Family Support Programs				2.1	2.4
Onsite services				1.6	1.9

Current Approach   Future Approach

Future Spend Allocation

Future Investment	% Change from Current
41.9%	-1.8%
11.9%	+0.3%
6.9%	+0.7%
10.2%	-0.1%
5.9%	+0.2%
3.2%	+0.5%
5.0%	-0.3%
2.3%	+0.2%
3.7%	+0.3%
2.6%	+0.1%

Biggest Shifts

- Greater differentiation with a smaller merit pool.
- Reallocation from fixed to performance-based incentives.
- Additional investment and better competitive position of career development / skill-building needed to drive business goals.
- More support for physical and financial wellbeing, funded from healthcare and time away from work.

4

Calls to Action

Integrate talent strategies with business growth objectives.

Elevate talent attraction, development and retention as core drivers of profitable growth, not just HR initiatives.

Balance investments in people with disciplined cost management.

Reimagine rewards and benefits to strengthen employee engagement and retention while managing overall cost.

Maximize ROI by prioritizing initiatives that deliver measurable impact.

Direct resources toward programs and innovations that contribute to both bottom-line results and workforce stability.

4

Shifting expectations require differentiation through performance, wellbeing, and culture.

Employees increasingly expect above average pay, meaningful benefits and more personalized, flexible rewards. Many employers are struggling to differentiate their total rewards strategies and seeking creative solutions amid rising cost pressures. Elevating individual performance, prioritizing workplace wellbeing, and removing barriers that prevent employees from meeting performance goals are essential to sustaining engagement and driving business results.

Calls to Action:

- Be intentional about your competitive position.
- Identify opportunities to differentiate your value proposition through non-financial elements.
- Shift to more attention-grabbing and emotionally relevant marketing of your current offering.

4 Opportunity to Deliver Higher Value with Current Offering

71%

say their total rewards package is meeting employee needs, while 11 percent say it's not.

25%

say total rewards is not a positive differentiator compared to other employers.

35%

say they are not effectively communicating the value of the current total rewards offering.

36%

say they are not managing their total rewards programs as effectively as they should.

How Should Organizations Communicate the Value of Their Total Rewards Offering?

According to Aon's 2025 Employee Sentiment Study, email is the top employee communication preference (52 percent), followed by 1-on-1 meetings (42 percent) and internal company websites (31 percent).

4 Shifting to Personalized, Flexible Benefits

23%

say their benefits do not offer enough choice for employees to choose what's right for them

48%

say they need to personalize the benefits information for the employees.

46%

say they are considering or already offer a flexible plan or lifestyle spending account.

33%

say their benefits offering needs to be more fair and competitive than it is today.

Choice Matters to Today's Employees

According to Aon's 2025 Employee Sentiment Study, when it comes to benefits customization, 72 percent of employees told us personalization was important to them, yet only 41 percent currently have it. Over 60 percent of employees said they would give up existing benefits for more choice.

4 Evolving Total Rewards: Moving Beyond Tradition to Enable Performance

Current Approach	Future Needs
Rewarding for effort and tenure	Rewarding for results
Modest distinction in rewards	Greater distinction in rewards
Relying on traditions and the 'norm'	Deliver more innovative ideas
Current investment in wellbeing	Greater emphasis on holistic wellbeing
One way communication	Interactive tools to self-learn

4 Calls to Action

Be intentional about your competitive position.

Amid cost pressures, now is the time to recalibrate by scaling back above-market programs that offer limited perceived value or signal over-investment, while strengthening below-market offerings that are critical to business and talent priorities.

Identify opportunities to differentiate your value proposition through non-financial elements.

Refocus energy on career development, upskilling, and supportive growth pathways to drive long-term value and performance impact.

Shift to more attention-grabbing and emotionally relevant marketing of your current offering.

Storyboard programs in an integrated way to elevate awareness and utilization of your current total rewards offering – because ROI doesn't always require a redesign.

4

Career growth and upskilling are central to a sustainable employee value proposition.

Aon's research shows that forty-two percent of employers anticipate a shortage of qualified leaders within the next four years. Meanwhile, up to fifty percent of today's workforce skill sets could become obsolete by 2030, driven by the accelerating impact of AI and automation.* In this environment, reskilling, internal mobility, and leadership development are no longer optional – they are mission-critical to sustaining performance and ensuring future readiness.

Calls to Action:

- Prioritize leadership development and upskilling.
- Invest in mentorship, career growth, and reskilling programs to close the leadership gap and future-proof your workforce.
- Support internal mobility, lateral moves, and networking to drive long-term engagement of talent.

*World Economic Forum's 2025 Future of Jobs report

4 Investing in Upskilling and Mobility are Necessary to Strengthen the Employee Value Proposition and Reduce Attrition

Q: Where is the expected future investment and focus?

Most Critical	Obtaining new skills	Gaining more opportunities to develop skills	Moving up the organizational hierarchy
	Culture that supports risk-taking, failing, and learning/growing	Rotating laterally to new roles and/ or functions	Improving existing skills
	Creating more leader visibility	Delivering in current role (i.e., performance and results)	More on-the-job experience
	Internal networking	Working with best and brightest in the industry	

3.2%

of total rewards costs will be allocated to career and skill-building.

4 Career Development is a Challenge for Employers

50%

say career growth opportunities pose challenges to talent attraction and retention, ranking second behind pay.

50%

say they're not effective with developing employees.

54%

say they're not effective with developing leaders to take on critical work.

65%

say they're not effective with succession planning.

One in Five Employees Feel Unprepared for the Future of Work

According to Aon's 2025 Employee Sentiment Study, nearly 20 percent of employees are not confident their employer is investing in their skills development and training to prepare them for the future of work.

4 Leadership Readiness is at Risk

13%

say they currently have a shortage of qualified leadership

42%

say they anticipate a shortage of qualified leadership in the next 4 years.

Three Barriers to Creating the Next Generation of Leaders	
01	Lack of mentorship/development opportunities
02	Lack of experience and confidence in young leaders navigating complex decisions
03	Changing work landscape with remote work and diverse expectations

Implications on Total Rewards

- **Increased Turnover and Talent Loss.** Key talent is more likely to exit, weakening the intended retention impact of Total Rewards. Even competitive compensation and benefits cannot offset an unsupportive environment or poor culture.
- **Erosion of Trust, Engagement and Growth Opportunities.** Unqualified leaders often fail to communicate Total Rewards effectively. When rewards are perceived as unfair and recognition is lacking, employee engagement and productivity decline and overall business performance is impacted.
- **Poor Communication and Mismanagement.** Inexperienced leaders may mishandle merit cycles, deliver unclear or last-minute messaging, and fail to articulate the value of rewards—leading to confusion, dissatisfaction, and missed opportunities to reinforce performance.

Areas of Strength vs Opportunities for Managing Talent

More Effective

- Talent recruitment
- Talent retention
- Employee engagement

Somewhat Effective

- Inclusion
- Encouraging passion in the work
- Managing performance
- Managing contingent and contract workers

Less Effective

- Technology impact
- Development
- Flexible work
- Employee burnout
- Succession planning
- Aging workforce
- Generational needs

Areas of Opportunity

75%
are effective at hiring people with the right skills

57%
are effective at managing employee performance

51%
are effective at developing employees

35%
are effective at addressing employee burnout and stress

33%
are effective at addressing the needs of different generations

4 Calls to Action

Prioritize leadership development and upskilling.

Building future-ready leaders and capabilities is essential to sustaining performance and navigating workforce transformation.

Invest in mentorship, career growth, and reskilling programs to close the leadership gap and future-proof your workforce.

These efforts can help attract and retain talent, while building a pipeline of future leaders prepared to drive your business forward.

Support internal mobility, lateral moves, and networking to drive long-term engagement of talent.

Creating these opportunities can help build sustainable engagement and a sense of internal community, while strengthening organizational resilience.

4

Return-on-investment and centralized governance are imperative for long-term impact.

While salary and career development have long been foundational, the urgency to understand what employees truly value – and to reallocate budgets toward business and talent priorities – has never been greater. To meet operational efficiency goals, HR and Total Rewards leaders must shift toward centralized, data-driven governance models. Measuring ROI across programs and reallocating spend based on competitive value (not legacy practices) is fast becoming a baseline requirement for future competitiveness.

Calls to Action:

- Gain deeper insight into what employees want (and need) to guide smarter investment decisions.
- Regularly track success metrics and connect them to specific actions that deliver measurable impact year over year.
- Re-tool local teams to drive change within a global framework.

4 Total Rewards Priorities

Aligning to business and talent goals, improving engagement and creating a total rewards roadmap are top priorities – but the path to achieving these goals still pose challenges.

Top Priorities	
01	Improve alignment to business and talent needs
02	Improve employee engagement
03	Create a total rewards road-map for the next 3-5 years
04	Improve talent retention
05	Improve talent attraction

28%

say leaders are not aligned to total rewards objectives.

34%

say the total rewards program needs to better support business goals.

60%

say they don't have a good way to measure the impact of total rewards on workforce productivity.

35%

say total rewards is not a positive differentiator compared to other employers.

4 Total Rewards Success Measures and Barriers

Top Measures of Success	
01	Positive employee perception of total rewards
02	Competitiveness
03	Employee retention rate
04	Cost effectiveness
05	Ability to attract talent

Top Barriers to Success	
01	Budget constraints
02	HR resource constraints
03	Total Rewards is a lower priority than other business initiatives
04	Leaders not aligned
05	Organization structure changes

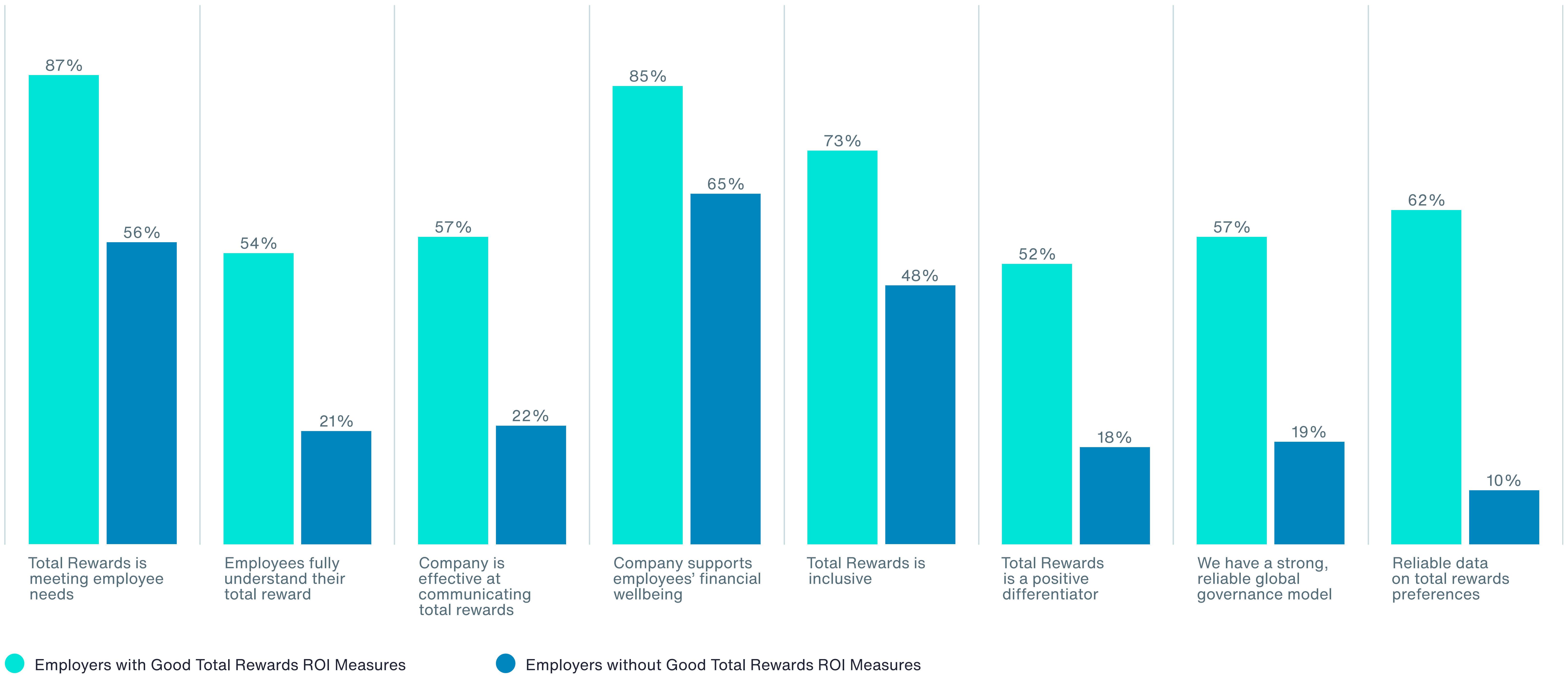
Additional Insights

- **Employees expecting above average pay/benefits.** Nearly 50 percent of employees globally have higher expectations when joining a company.*
- **Total Rewards spend to increase 22 percent over the next four years.** One-third of that overall increase is expected to come from healthcare costs alone, rising 4x faster than inflation and 3x faster than pay.*
- **Global health trend is at its highest level in 10 years, with a 10 percent increase expected for 2025.** Cost trend is tracking ~2.8x general inflation. More than one-third of total rewards overall increase is expected to come from healthcare costs alone. Healthcare costs could grow more than twice as fast as wages.*

*Aon's 2025 Employee Sentiment Study; Aon's Health Trends Survey

Return-on-Investment Matters

Employers who reported that their organization is effectively measuring the ROI of Total Rewards are seeing a positive impact on employee understanding and appreciation of their programs.



Calls to Action

Gain deeper insight into what employees want (and need) to guide smarter investment decisions.

By listening closely and acting on what matters most to employees, organizations can unlock greater engagement, retention, and return on investment.

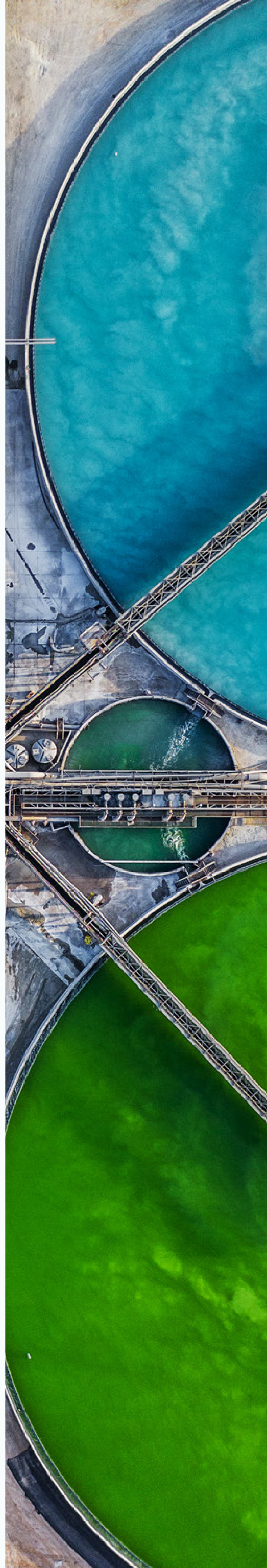
Regularly track success metrics and connect them to specific actions that deliver measurable impact year over year.

Tracking metrics allows organizations to link strategy to outcomes, improve accountability, and continuously optimize Total Rewards impact.

Re-tool local teams to drive change within a global framework.

Empowering local teams with the tools and mindset to lead transformation ensures Total Rewards strategies are executed and communicated consistently.

Next Steps for Employers



5 What Can You Do?

01

Differentiate Your Employee Value Proposition

Employees are looking for more than compensation and benefits – they want purpose, growth and belonging. Make it clear what sets your organization apart.

02

Align Total Rewards to Your Business and Talent Goals

When your total rewards strategy reflects the organization's business and talent priorities, they drive performance and measurable impact.

03

Ground Your Strategy with Market Positioning

Determining your actual versus perceived market value is a vital step in employee attraction and retention. Knowing how you compare helps you compete.

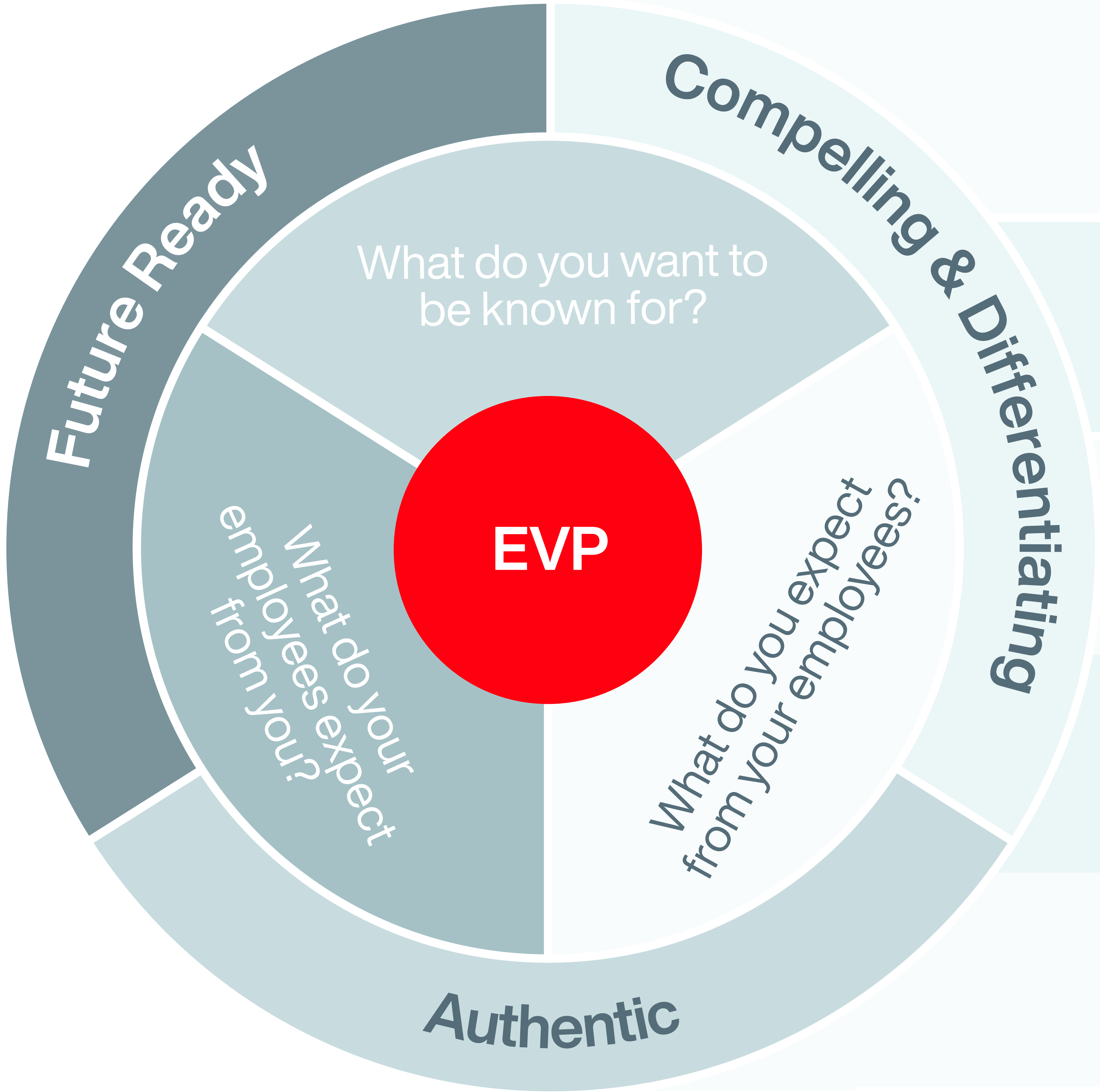
04

Relearn What is Valued by Your Employees

What employees value is shifting. Listening, learning, and acting on what matters most is key to building trust and driving engagement.

Differentiate Your Employee Value Proposition (EVP)

What is an EVP?
The unique total experience an employer provides to its people in exchange for their performance and contributions.



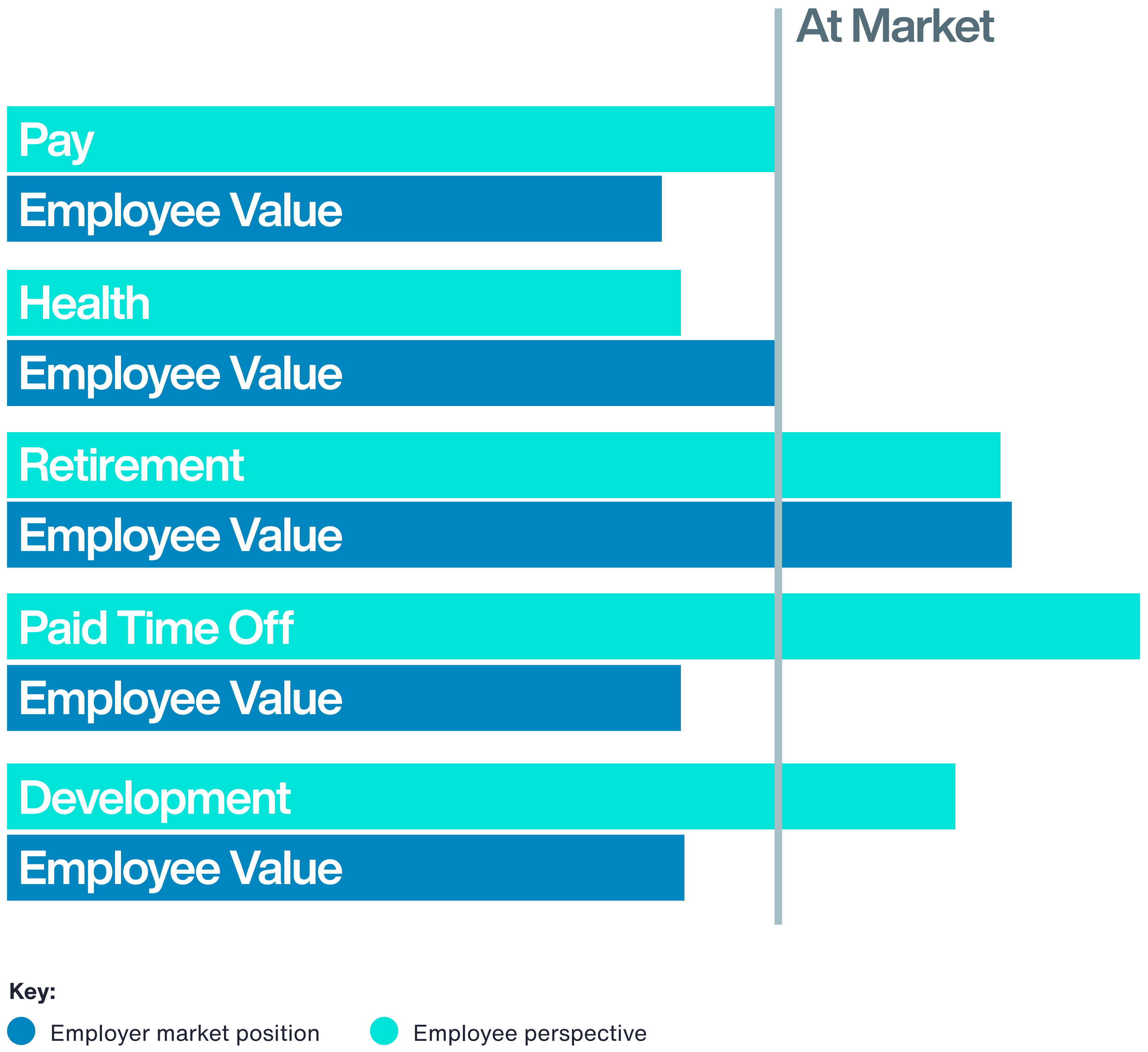
Strategic Alignment	An aligned EVP sends accurate and clear messages to employees about what matters, and reinforces talent attraction, engagement and retention.
Relevance	EVPs that address employee priorities are inherently more appealing and lower the risk of employees feeling they can't afford to accept an offer or stay at an organization.
Credibility	An 'authentic' EVP drives engagement and trust and provides proof points demonstrating an organization's commitment to realizing its aspirations.
Uniqueness	Differentiators drive employee join/stay decisions once table stakes and credibility are established, to compete for talent on non-financial elements like culture and career.
Sustainability	An EVP guides decisions with long-term impact for both organizations and employees, reinforcing an organization's financial health and employee morale/commitment.

5 Align Total Rewards to Your Business and Talent Goals

	High Growth	High Performing	Innovators
01	**Broad-based equity** Virtually every employee has some type of ownership stake in the company.	**Cash incentive upside** Majority pay above target incentives and up to 2x target bonus.	**Tech is the EVP** Creating novel products with well-known innovators draws top talent.
02	**Not differentiating with cash/benefits** Cash fuels talent acquisition and R&D so comp and benefits at "table stakes" levels.	**Premium salary & equity** Differentiation in pay opportunities for technical or key talent pools; notable high performers pay premiums for all.	**Real-time recognition** Incentives tied to project completion or major company milestones.
03	**Rapid career advancement** Employees take on more responsibility faster than in mature companies.	**Employee as a customer** Feedback loop shapes a fine-tuned employee experience and leads to measurable outcomes.	**Betting on the big payoff** Equity figures prominently in pay mix, as high risk, high reward appeals to innovators.

5

Ground Your Strategy With Market Positioning



Strategic Investment

How do we position ourselves in the market to attract and retain top talent ?

Perception vs. Reality

How can education bridge the gap between actual vs. perceived market value?

Cost Management

Where can we reconsider eligibility to manage costs?

Optimizing Value Allocation

Where can we reallocate investments to enhance competitiveness while delivering higher employee value?

Relearn What is Valued by Your Employees

The Majority of Employees Have Eyes on Their Next Move

60%

of employees are either in the process of moving employers or might/will seek new employment in the next 12 months.

Compensation Fairness is a Matter of Perspective

60%

agree that their compensation is fair compared to similar roles in the industry (but that changes to 51 percent for low-paid workers and 46 percent for women).

More Flexibility Desired to Optimize Benefits for All

63%

would be willing to sacrifice existing benefits for a better choice of benefits.

The Workforce is Underprepared for the Future of AI

15%

of employees are unsure of the impact of AI on their jobs.

Source: Aon's 2025 Employee Sentiment Study

Contact Us

This is an excerpt from the full report.

If you are interested in receiving the complete global findings, or regional and industry insights, please contact **aon.total.rewards@aon.com.**

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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