

Key Takeaways – Beyond Sweat Equity: Modern Compensation Strategies for Enhanced Engagement & Retention

Labor & Employment Law Update

By Rebecca Bush and Kelly Haab-Tallitsch on May 1, 2025

Today's employment environment requires companies large and small to be deliberate when designing their compensation strategy. Our panelists presented a high-level overview of the options available to executive teams when designing compensation packages that align with key business goals and objectives.

Top takeaways from this presentation include:

- **A critical first step is to determine your company's compensation philosophy.** Clarity around your company's goals—e.g., do you prefer to attract top talent or develop talent?—and values play a critical role in determining the appropriate compensation strategy. When implemented thoughtfully, compensation tools can help align employee interests with company objectives, increase engagement, and improve retention.
- **Broadly speaking, there are two types of “sweat equity” compensation.** Traditional equity plans, such as stock options, and phantom equity plans, such as stock appreciation rights, are tools that help align your employees' financial interests with the company's and increase employee retention.
- **Not all “sweat equity” benefit plans are appropriate for all organizations.** Top considerations to keep in mind when determining what is the best option for your company include company structure and stage, business objectives, workforce considerations, financial administrative impact, compliance considerations, and plan design elements.
- **Non-traditional benefits speak your corporate values.** These benefits tend to focus on work-life balance incentives, such as flexible work arrangements, unlimited or enhanced PTO policies, sabbatical programs, student loan repayment assistances, and financial education resources. Depending on the design, they can be tax advantaged.

For a full, in-depth discussion on the various compensation options available to employers, watch the full webcast recording on demand.

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