

# REWARDS & RECOGNITION: 2014 TRENDS REPORT

Ever since the start of the Great Recession in 2008, employees have faced a great deal of turbulence in the workplace and, as a result, engagement levels on the job are at surprising lows. A recent Gallup survey confirmed what most human resource management professionals have long suspected: only 30 percent of the U.S. workforce are actively engaged in their jobs.<sup>1</sup>

As upper management searched for ways to cut costs and to deal with both a rapidly changing global marketplace and the quick succession of advances in technology, employees became concerned about their job security and were stressed by the unpredictability in their work environment. In response to this dynamic, the sense of loyalty and investment many people experienced with their jobs diminished. Human resource professionals identified this disconnect through low levels of productivity, decreasing retention rates, poor attitudes, and increasing levels of absenteeism. Both academics and human resource management consultants quickly stepped forward with a multitude of reasons and possible solutions for the epidemic of employee disengagement, yet most have overlooked a more obvious remedy: the increased use of strategic employee rewards and

## About the Author



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She works with corporate HR as well as vendor teams looking to gain a better understanding of how a solid strategy, the right technology & emerging media can improve their hiring and retention practices.

<sup>1</sup> Gallup. (2013). State of the U.S. Workplace: Employee Engagement Insights for U.S. Business Leaders. Washington, D.C.: Gallup, Inc.

recognition programs.

In Summer 2013, we conducted a survey of human resource professionals and corporate leaders to take a closer look at the current, future, and ideal state of rewards and recognition within the marketplace. We had more than 400 companies participate, evenly split between domestic and global, and with company size ranging from under 1,000 employees (38%) to over 10,000 employees (22%)<sup>2</sup>. This paper is an overview of the results we found, based on our market study as well as the key trends we have identified that will be seen on a wider scale in the coming 12-18 months. That doesn't mean that the trend has not begun; it just means the adoption or acceptance of it is still limited.

## Rewards and Recognition Programs Today

In today's cost-conscious business environment, our survey found some good news for employers: rewards and recognition programs do not need to be expensive. Half (57%) of the organizations we surveyed had spent less than 0.5 percent of total payroll on rewards and recognition programs. Just eleven percent had spent more than two percent of their payrolls. While some rewards, like selectable gifts, come with a price tag, other popular means of recognition, such as emails from senior executives and e-cards from co-workers, are essentially cost neutral.

When compared to many of the high-price-tag employee engagement and human capital solutions on the market, it is easy to see how companies can realize an extraordinarily high return on investment through employee rewards and recognition programs.

The results of the survey are a bit disconcerting, because few employers are taking advantage of recognizing the top performers; only 42 percent have formal programs that reward sales and other performance indicators. This is unfortunate because research shows that not only do performance-based rewards increase the productivity of individual workers and improve employee engagement, but companies that recognize the outstanding performance of individuals and team members achieve higher levels of organizational and financial performance than those that do not recognize high-performing employees<sup>3</sup>.

### RESEARCH HIGHLIGHT

**Fewer than 50% of companies have programs that rewards workers based on performance indicators.**

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2 Accelir (2013). Rewards & Recognition Research Study: Trends & Effectiveness in workplace. Survey respondents N=417, 51% global operations, representative of all organizational sizes

3 Gallup. (2013). State of the U.S. Workplace: Employee Engagement Insights for U.S. Business Leaders. Washington, D.C. : Gallup, Inc.

Another way that some employers fail to realize the full benefits of rewards and recognition programs is by not updating these motivational programs on a regular basis. While a large number of companies have updated their rewards and recognition programs over the last two years (44 percent), close to 15 percent of organizations have not updated their programs in more than eight years. Companies that revise and update their employee rewards and recognition programs on a regular basis provide new challenges to their employees as performance metrics are raised. Additionally, when companies announce a new incentive and recognition program, they raise their workforce's awareness of the initiative, which increases the likelihood that the employees will participate in the program.

## Trends in Rewards and Recognition Programs

### Trend 1: Service Awards moving Towards Early Recognition

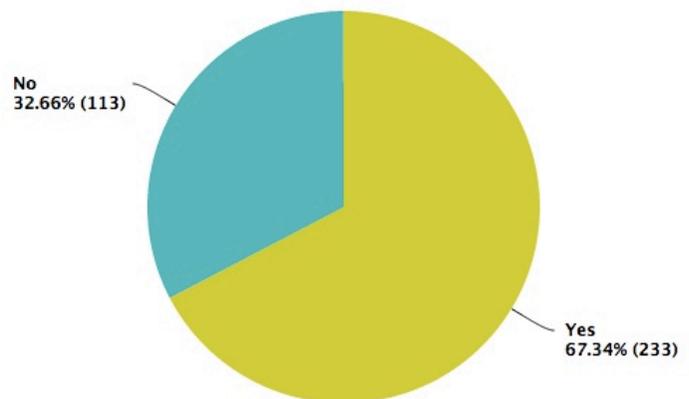
Service and Anniversary awards have long been the staple of the rewards and recognition industry. With more than 91 percent of the companies we surveyed participating in service awards, it's clear that this type of reward is not going away any time soon. What will be changing, however, is the evolution of the service awards from traditional milestone awards (5, 10, 20 years of service) to early recognition, which would reward workers for as little as one year of employment.

Tenure in the United States is currently less than five years, according to a recent report from the Bureau of Labor Statistics. That tenure is even shorter when we look at the youngest generations in the workforce. According to the Multiple Generations @ Work Survey, 91 percent of workers in the Millennial generation (born 1977-1997) do not anticipate staying at a job for more than three years.<sup>4</sup>

The push for early recognition programs is not only popular with younger generations of workers and those that have short tenure. Our study found that nearly 70 percent felt employees should start being recognized and rewarded for service

#### Do you feel that employees should start getting recognized and rewarded for service with their 1 year anniversary?

Answered: 346 Skipped: 71



Source: Accelir, 2013 Rewards & Recognition Survey

4 <http://www.forbes.com/sites/jeannemeister/2012/08/14/job-hopping-is-the-new-normal-for-millennials-three-ways-to-prevent-a-human-resource-nightmare/>

at their one year anniversary with a company. As a basis of comparison, the majority (64 percent) of those we surveyed have spent at least ten years with one company during their professional careers.

Even with the reduced length of tenure, companies will need to engage and reward workers – and acknowledge them for their efforts. In companies that have a positive work culture, early recognition and engagement may give a competitive advantage by allowing employers to retain their employees longer than average. This directly results in a positive ROI through reduced recruitment costs, decreased rates of employee turnover, and improvements in productivity.

## **Trend 2: Creating a Culture of Recognition**

While the implementation of service awards is shifting towards early recognition on a larger, more strategic scale, creating a culture of recognition is a trend organizations are adopting and will continue to grow in the next few years.

Creating a culture of recognition may be one of the most difficult feats to master, as well as being the biggest room for growth as an industry. In order to make this successful, there needs to be support and buy-in from all levels of employees, not just HR. The company needs to ensure that employees are recognized on an ongoing basis for exhibiting a commitment to a variety of factors – often tied to a company's core values. Our study found that 44 percent of employees don't feel their recognition programs are tied to the organization's core values.

### **RESEARCH HIGHLIGHT**

**44% of employees don't feel their recognition programs are currently tied to the core values of the organization**

One of the main drivers of a culture of recognition comes from the identification and rewarding of employees based on performance within a particular role, task, group, or project. A large majority of employees felt that including performance-based awards in a rewards and recognition strategy was more important than service-based awards alone.

This concept is different from a traditional annual performance review because it is focused on identifying the successes or victories on a regular basis – not necessarily the development or challenge areas an employee may be facing. Our survey found that more than a third of employees felt the annual performance review did not at all, or only somewhat, reflected how well they did their jobs. This leaves much room for disengagement in an organization that hasn't built a culture of ongoing recognition.

One of the challenges human resources leaders may face in championing a culture of recognition is gaining buy-in from corporate leadership. For many of the companies we surveyed, the involvement of corporate leadership and its role in designing recognition programs was a hot-button issue. Half of the companies we surveyed felt that corporate leadership currently was insufficiently involved in the design of these programs. Even more concerning was the lack of confidence in how well front line managers were trained to provide ongoing recognition to their employees. Only 21 percent of companies felt their managers were well-trained in this area. For organizations to truly focus on this trend, executive buy-in and participation is key.

### **Trend 3: Rewards and Recognition with Social Media**

Use of social media has become a standard course of action, not only in our personal lives, but also our professional careers. Sites like LinkedIn, Twitter, Facebook, Instagram, and Pinterest are attracting people from all ethnicities, genders, socio-economic backgrounds, and ages. In business, we have adopted Twitter handles, hashtags, and “likes” as a standard point of conversation in our marketing departments. Within human capital, we have seen social media break into nearly every area with, Talent Acquisition leading the charge. This is why the most surprising trend we have found among survey participants is that they are not ready for social media to be introduced into the rewards and recognition section.

More than 82 percent of companies do not currently include social media in their rewards and recognition programs, and more than half (55 percent) do not want social media (Twitter, Facebook, LinkedIn, etc.) in their rewards programs.

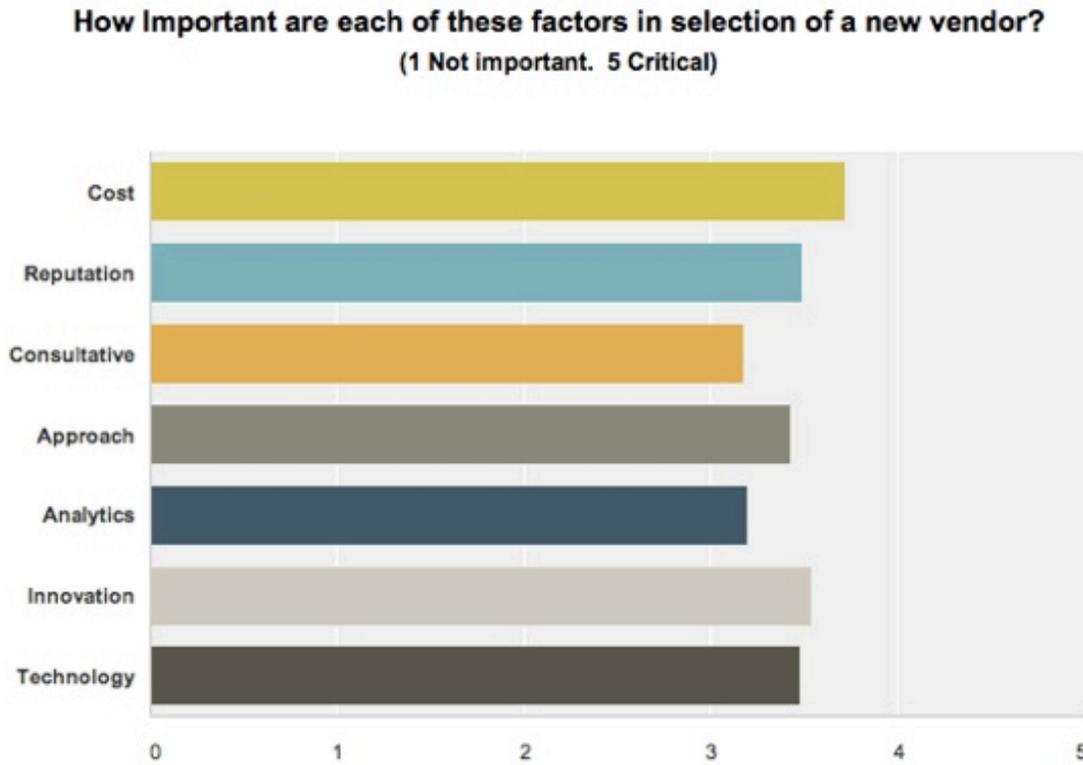
Unlike areas such as talent acquisition that have seen rapid upswings in social media use, the trend in rewards is slow uptake. Based on survey analysis, it will likely be another three years before we see the integration of social media the way we are seeing it in hiring and other outwardly-facing HR technologies. When we asked a separate question about socialization (internal or external), only 28 percent identified this as an improvement or a change in they were looking to make to their current rewards and recognition programs (n=174). This is partially driven by the lack of comfort on the part of workers with professional recognition from human resources and corporate leaders being shared on their personal social networks – only 25 percent of those surveyed felt comfortable with that level of sharing.

#### **RESEARCH HIGHLIGHT**

**Less than 20% of companies currently include a social media program in their rewards & recognition program.**

## Selecting a Vendor Partner

When corporate decision makers were asked what they were looking for in a vendor partner for their employee rewards and recognition programs, they reported their top considerations as technology, innovation, and cost. Nearly half rated the user experience of the of the recognition vendor as Impacting or Critical in their decision, with 40 percent rating it the area they would most like to improve in their existing programs.



Source: Accelir 2013 Rewards and Recognition Survey

Surprisingly, these key decision makers reported that they did not look for analytics when considering a vendor partner. Metrics are essential to determine if the rewards and recognition programs are effective and are reaching the targeted employees.

## Conclusion

With the rate of employment engagement at an all-time low, HR managers who implement rewards and recognition programs that are designed to meet the strategic goals of their organization help their employers achieve a competitive advantage in the marketplace. The senior leadership of many companies are discovering the benefits of rewards and recognition programs, which means that these motivational tools will be used more often for the good of both the employee as well as the organization.

As companies look to revamp or expand their programs, they should keep in mind the trends of early recognition, creating a culture of recognition, and determining the role social media must play in their programs today. Companies that invest in rewards and recognition programs will realize a several-fold return on their investments, through increases in productivity and decreases in employee turnover, and as a result of innovative practices.

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