EMPLOYEE RECOGNITION PROGRAMS

by Mark M. Whitney
Morgan, Brown, & Joy, LLP
200 State Street
Boston, MA 02109
617/523-6666
mwhitney@morganbrown.com
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I. Introduction: What is an Employee Recognition Program?

All employees like to be recognized and appreciated. An employee recognition program can be the key to motivating employees and infusing a healthy dose of creativity into an otherwise “stale” corporate culture.

Traditionally, recognition programs were viewed as a “nice thing” for companies to do. Today, companies are thinking about recognition more strategically and aligning their employee recognition programs with their business goals. The world’s best organizations treat recognition as a critical business process, closely tied to improving employee engagement, retention and performance. According to a June 2009 survey by the Aberdeen Group, close to 80% of the “best in class” Fortune 1000 employers have instituted some type of employee recognition program. As further proof of its nascent import, Bob Nelson, President of Nelson Motivation Inc. and best-selling author of 1001 Ways to Reward Employees, estimates that the U.S. incentive industry is a $27 billion-dollar enterprise.

In short, higher levels of employee engagement bear a strong correlation to superior levels of job satisfaction, enhanced employee performance, corresponding improvements in customer service and engagement, and ultimately a quantifiable return on investment. A properly developed, implemented and administered employee recognition program is a sound, strategic investment, and not an expendable nicety.

II. Benefits of an Employee Recognition Program for Company Managers and Executives

The benefits of such programs are often real, demonstrable, and quantifiable. Benefits include:

1. Increased employee loyalty and retention; lower turnover. Employees who feel appreciated and respected will be more productive and motivated, and are likely to remain with the company longer.
   a. According to at least one consultant, lack of recognition is a top reason employees leave a job, right after insufficient compensation or training.
b. Moreover, such recognition programs have been linked to increased retention of mid- and high-performing employees.

2. Enhanced employee productivity.
   a. A more satisfied employee is a more productive employee. A recent Gallup poll supports this notion. 82% of employees believe the recognition they receive motivates the performance they give.

3. Improved employee engagement and morale.
   a. Employees often go above and beyond what is expected of them in most cases. Showing your appreciation creates an environment of respect and gives employees a sense of ownership and belonging in their place of work.

4. Quicker identification of low performers.

A properly administered recognition program is every bit as important—if not more so—as businesses continue to emerge from the latest recession. According to Globoforce research, during the most recent economic downturn 46% of employers cut their recognition program. Those that did so experienced dramatic reductions in employee engagement. On the other hand, the 12% of employers that bolstered their recognition program typically witnessed double-digit improvements in employee engagement.

As the economy continues to emerge from this downturn, it becomes all the more important to bolster job satisfaction. As the economy continues its turnaround, human resource consultants predict a spike in the turnover of top talent as workers, with negative work experiences still fresh, seek new and better opportunities when the job market improves. Employee recognition programs can help protect against the loss of this talent.

III. Fundamentals of a Successful Employee Recognition Program

Prior to developing the nuances of an employee recognition program, employers are advised to consider the following figures:

- the total number of employees;
- the total amount of money to be allocated for recognition gifts and incentive awards.
  - For comparison purposes, recognition awards provider Hinda Incentives calculated that large organizations allot approximately 1% of base pay for non-sales staff and 4%-7% of base pay for sales staff, which equals an average cost of $100-$400 per employee annually. Smaller companies recommend first researching what similarly-sized companies in their industry are spending.
After engaging in some raw calculations, employers may move towards the more creative aspects of the process – actually designing the incentive program, and aligning rewards with encouraged behaviors. Employers are encouraged to consider the following when developing an employee recognition program.

A. Program Objectives

It is imperative that the employer has a clear idea of the goals it hopes to achieve with its employee recognition program. Specifically, what do employees need to do? What employee actions will the program reward? What specific employee achievements should be highlighted and recognized? What outcomes are you looking for? And what policies and practices will drive your recognition program?

For example, one objective articulated by many employers is to improve safety performance. With this goal in mind, employees may be recognized by receiving rewards or incentives based on achieving a specific desired set of circumstances, such as:

1. A set number of days without recordable accidents;
2. A set number of months without lost-time injuries;
3. Significant decreases in workers’ compensation claims (i.e., over a specific period of time, such as a month or one year).

Any of the results mentioned above can be achieved in connection with a successful employee recognition program. Moreover, meeting each desired result will yield a different impact on a company’s bottom line.

Employers should also draft a statement of program objectives to serve as a guide when making decisions about the program. This statement may be referenced when determining the amount of resources to allocate to the program.

Employers may also alternatively choose to hire an external recognition consultant or awards supplier/vendor.

B. Program Administration

Employee recognition programs are typically administered by one person in the company—i.e., a “program administrator”—who may be a manager or member of the HR department. The program administrator is entrusted with the administrative and technical duties of running the program, although this person usually has other responsibilities unrelated to the recognition program. Large organizations, such as Royal Bank of Canada, have created positions which are solely responsible for the management of these programs. Mid-size companies may create recognition departments which are separate from human resources, and some mid-sized and smaller employers have established recognition committees that include a wide range
of employee representatives from each department.

**C. Program Communication**

A successful employee recognition program is one that allows employees to easily participate. Employees are more likely to participate in an employee recognition program if they are made aware of the program’s existence at the outset. To promote awareness of an employee recognition program among its employees, an employer should advertise its program details in conspicuous workplace locations, such as in the cafeteria and on company bulletin boards. Employers may also wish to include an explanation of the program’s rules and procedures in the orientation packets distributed to new employees and in the employee handbook.

**D. Program Eligibility and Participation**

Along with the program’s rules and procedures, employers should widely disseminate to its employees information about how to participate in the recognition program. Regarding eligibility requirements, most employers permit all employee groups, including managers, to participate in the employee recognition program, although top-level executives and department heads and members of the evaluation committee may be excluded.

**E. Program Dates**

Employers need to establish concrete beginning and end dates for each program “cycle,” even though a recognition program may be ongoing. For example, many companies boast a “Salesperson of the Year” or “Employee of the Month” award. Employees’ achievements are evaluated pursuant to an established period of time (i.e., each month to determine employee of the month), but the incentive program itself continues throughout the year (another employee is recognized the following month).

**F. Program Awards and Publicity**

There is a wide array of methods at an employer’s disposal to use when “rewarding” employees in connection with the recognition program. For example, employers may offer a cash reward, a gift certificate to a local department store or restaurant, or use a point system to assign value to an employee’s successful participation in the program, tailoring the employee’s reward accordingly (See Section II below for a more in-depth analysis of different types of awards). However, it is important to note that cash awards are treated as bonuses subject to taxation by the Internal Revenue Service. To offset an employee’s tax liability associated with a cash rewards, some employers have included an additional amount of money as part of the award.

It is essential that awards are consistently and timely distributed to successful employees to maintain enthusiasm and high levels of participation in the recognition program.
Publicity is essential to giving employees the recognition they deserve, and as such, should be considered an integral part of a company’s recognition program. Employers may utilize the following venues for publicizing award recipients:

1. Company Website
   a. External website – internet (visible to the public)
   b. Internal website – intranet (visible to other employees)
2. Various Online Social Media Outlets (See Discussion in Section V)
   a. Facebook
   b. Twitter
   c. LinkedIn
   d. Company Blogs
3. Company Newsletter
4. Company’s Annual Report
5. Staff Meetings
6. Day of Appreciation
7. Photo Display on Company Bulletin Boards

G. Program Training for Managers

Some employers emphasize the importance of their recognition program to managers by providing training up front and building recognition directly into the supervisor training curricula.

H. Program Evaluation

Many employers have formed a committee to evaluate the success of the employee recognition program. To provide a diversity of viewpoints, it is recommended that the committee include both managerial and non-managerial employees who will track and measure the program’s operation. Members should also include a cross-section of the organization and include employees from the various departments and/or divisions (i.e., accounting, mailroom, marketing, engineering, etc.). Employee feedback is essential, yet it is also critical that senior management level executives support the program because a recognition culture starts at the top with the CEO and trickles down to the rank and file employee.

Measuring the success of a recognition program is not easy. One measure of success used by employers is total participation levels. Companies also ask their employees about recognition as part of an overall employee satisfaction or engagement survey. Managers may be able to provide additional feedback based on their observations. Another option involves retaining an independent company specializing in measurement processes and program effectiveness.
IV. Other Considerations

A. What Behaviors Will Be Rewarded?
There are potentially many different types of behaviors that can be rewarded. Several might include:

- Recognition for Performance in Specialized Area
  - Recognizing individual high sales, cost reductions, safety, or increased profits
- Recognition for Length of Service
  - Recognizing employee contributions made over time (not merely an employee’s tenure with the company)
- Recognition for Superior Customer Service
- Recognition for Perfect Attendance
- Recognition for High Quality Work Product
- Recognition for Improvement

B. When & By Whom Will These Behaviors Be Rewarded?
There exist two sources through which recognition may be given: (i) supervisor recognition; (ii) peer recognition. Some employers exclusively use one or the other, while others use a blend of these two recognition systems.

The frequency of formal reward recognition is another consideration. Should the desired behavior be rewarded weekly, monthly, semi-annually, or yearly?

C. Matching Incentive Awards to Program Type - Pros and Cons
Michael LeBoeuf, a management consultant, lists ten basic categories of employee incentives. They include the following:

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<td>2. Recognition</td>
<td>7. Increased Autonomy</td>
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<td>3. Time-Off</td>
<td>8. Training and Education</td>
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<td>4. Stock Options</td>
<td>9. Parties and Other Social Activities</td>
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<td>5. Special Assignments</td>
<td>10. Prizes</td>
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The most popular and widely utilized incentives are outlined below:

i. Cash Rewards
(Including Debit and Credit Cards)

Pros:
1. Cash rewards are easy to administer and most people will not complain if given cash.
2. Easy to distribute.
3. Can be used to purchase anything.
4. No shelf life – it comes and goes (sometimes more quickly than one would expect).

Cons:
1. To serve as an incentive, a significant amount of cash may be necessary (one large cash prize as opposed to many smaller cash prizes).
2. Must be given separately – not as part of an employee’s paycheck or regular compensation (“bonus”)
3. May have tax consequences.
4. No “trophy” value – cannot display this in an office for other employees to admire.

ii. Gift Cards
(For a Specific Retailer)

Pros:
1. Employees can treat themselves to merchandise in a store (or likewise in a restaurant) they may not otherwise frequent.
2. Easy to distribute to employees.

Cons:
1. Gift cards often go unredeemed because they are forgotten or discarded.
2. May be treated like cash for tax purposes.
3. Many gift cards (that are redeemable anywhere) are used by employees to purchase household necessities, as opposed to gifts or other non-essentials for themselves.
4. They are not always effective performance enhancers because people do not make emotionally connect with cards, as opposed to travel or other merchandise.
5. Recipients cannot and are not likely to show off gift cards to colleagues.
6. Gift cards can expire (sometimes in as little as six months).
7. Gift cards may have hidden fees.

iii. Other Merchandise or Tangible Awards
(i.e., Movie Passes, I-Tunes Gift Cards)
Pros:

1. Employees may not have otherwise purchased this item and so they feel as though they earned this award through hard work (obviously this logic applies to awards such as electronics, and not company t-shirts or coffee mugs).
2. Offer long lasting value and serves as a reminder to the employee of a job well done.
3. Offer budget flexibility for employers (items may be anywhere from $10 to $1,000)
4. Catalog award programs or point-based incentives can offer flexibility for both employers and employees in administration and choice of award.

Cons:

1. “Too many mugs”; employees no longer desire pens, watches, clocks, paperweights or t-shirts bearing the company logo.
2. Smaller gifts may not be effective motivators (again, employees will not be motivated to work hard if all they can expect to gain is a company t-shirt or mug).

iv. Travel

Pros:

1. A 2005 Incentive Federation study also identified travel as a growing form of sales recognition that outpaces both cash and merchandise for lasting impact.
2. Rewards recipients with memorable experiences rather than with things.
3. This can be extended to anything travel related, from training retreats to work sabbaticals.

Cons:

1. Potentially expensive.

v. Time-Off/Flex-Time

Pros:

1. Cheap and easy.
2. Employees can flexibly use at their own election.
3. Fairly easy to distribute.

Cons:

1. No “trophy” value.
2. From an administrative standpoint, potentially more difficult to keep track of.
vi. Praise

Pros:
1. Cheap and easy.
2. Employees appreciate praise.
3. Of all the recognition incentive listed, simple praise is most likely to boost an employee’s performance and self-esteem.
4. High visibility; serves as a message to other employees that the recipient of such praise performed well and that such hard work is noticed and acknowledged.

Cons:
1. None

D. Tax Treatment of Awards

Tax implications abound for individuals receiving cash awards and cash equivalents (including gift certificates). Tax issues vary by state and by type of award and are subject to complex federal regulations.

Under the Tax Reform Act of 1986, an employer may deduct the cost of achievement awards given to the same employee up to $400 in any year. If the incentive rewards are awarded as part of one or more of the employer’s written, established plans or programs, the $400 deduction limitation is increased to $1,600 per employee. This means that if an employer has a formal safety or years of service incentive program, it can award up to $1,600 for an individual employee, but no more than $400 per employee for all employees.

The IRS defines an “employee achievement award” as an item of “tangible personal property” transferred by an employer to an employee for safety, achievement or length of service. Such an award must be presented as part of a meaningful presentation and cannot be disguised as compensation to the employee.

To be tax exempt, an employee incentive reward cannot be in the form of cash, charge, credit/debit card or a gift certificate. Other items not comprising tangible personal property (and which are not tax exempt) include travel, vacations, meals, lodging, tickets to theater or sporting events and stock certificates.

Length of service awards can be excluded from an employee’s income only if it is “tangible personal property” and is received by the employee after his or her first five years of service.

Gifts bearing the company logo that are under $4 in value are tax free. Anything with a value of $4 or more is taxable, whether or not it contains a logo.
Awards for employee achievement or in recognition of employee productivity were eliminated from the tax regulations under the 1986 Tax Reform Act.

V. Successful Implementation Strategies Related to Employee Recognition Programs

Incentives only work if they are meaningful and if the goals set are realistic, attainable, and measurable. However, too many approaches remain fixated on external benchmarks, where a more holistic view of the program should be emphasized; focus on throughput measures, and not singularly on some narrow, quantifiable end. In that vein, the most successful incentives are tailored in such a way so as to reinforce the company’s values, strategies and goals.

Hybrid models (encompassing a broad base of distinct incentive programs) are usually effective and appeal to different groups of employees. Most employees desire a choice of rewards as part of their employer’s recognition efforts. Frequent communication, management support, consistency, fairness and a balanced approach with more varied award choices are just some of the essential ingredients of a healthy recognition program.

A. Best Practices: Real World Examples

Borrego Solar (San Diego, CA) This company that finances, designs and installs solar electric systems, hosts innovation contests whereby any employee can submit an idea. At the end of each quarter, all employees vote on the best idea. The winner gets $500.00, and the opportunity to present the idea at the next companywide meeting.

McKesson (San Francisco, CA): For the 5,000 distribution-center employees of a pharmaceutical company the Mpower online engagement program run by MotivAction provides 600 managers Spotlight Rewards points to award their employees for exceeding goals, participating in safety and training programs, and exhibiting behaviors that exemplify company principles. Points are redeemable in a catalog of lifestyle merchandise awards, gift cards, and individual travel awards. Peer-recognition capabilities and manager training in recognition skills add to the mix.

Hewlett-Packard (Palo Alto, CA): The “Golden Banana Award,” originated when a company engineer burst into his manager’s office to announce he had found the solution to a problem the group had been struggling with for many weeks. The manager looked around his desk for an item to acknowledge the accomplishment and ended up handing the employee a banana from his lunch, saying “Well done!” and “Congratulations!” The Golden Banana Award became one of the most prestigious honors bestowed on an inventive employee.

AFLAC (Columbus, GA): AFLAC recognizes all employees’ birthdays with a card and a gift
of their choice from a vendor. It also holds an employee appreciation week featuring random drawings for prizes and family-friendly events (including movie night). Division managers are encouraged to reward employees performing above and beyond the call of duty with stock options, cash or time off.

**Walt Disney World** (Orlando, FL): The “Spirit of Fred” award, named after an employee called Fred, recognizes exemplary employees. When Fred first transferred from an hourly to a salaried position, five people taught him the values necessary for success at Disney, inspiring the award in which the name “Fred” became an acronym for “friendly, resourceful, enthusiastic, and dependable.” Each award consists of a certificate mounted on a plaque. Multiple recipients of the Spirit of Fred award are eligible to receive the “Lifetime Fred Award,” a bronze statuette of Mickey Mouse.

**Just Born** (Bethlehem, PA)
The company that makes Hot Tamales candy offered its sales team an all-expenses-paid trip to Hawaii if it met its annual goals, and a trip to the nation's arctic tundra if it didn't. The Just Born team did not meet its target and, this past December, about two dozen salespeople gathered inside the 19-story Radisson hotel — the tallest building in frozen Fargo.

**Blanchard Training and Development** (Escondido, CA): Employees receive two movie passes on their birthday.

**Merle Norman Cosmetics** (Los Angeles, CA): The company president keeps track of everyone's birthday and when possible, makes a point of seeking out people to wish them well on that day. The company chef bakes a birthday cake for the employee.

**Southwest Airlines** (Dallas, TX): Administers a Halloween costume contest, a Thanksgiving poem contest and a design contest for the December newsletter.

**Celestial Seasonings** (Boulder, CO): Every employee receives a $25 check on his or her birthday, a $50 check at Thanksgiving and a $100 check at Christmas.

**Communication Briefings/Newstrack Communication Services** (Blackwood, NJ): Each employee receives 20 coupons to distribute. When an employee observes a co-worker doing something extraordinary, he or she simply fills out a coupon, including the reason for the recognition, and presents it to the co-worker. Recipients can save and redeem them for special awards, including:

- 1 coupon = certificate for a free car wash
- 5 coupons = $25 gift certificate for dinner at a restaurant
- 10 coupons = $50 Macy’s gift certificate
- 15 coupons = one-night stay for two in Atlantic City
- 20 coupons = one-year membership to the Four Seasons Health Spa
AT&T Universal Card Services (Jacksonville, FL): “World of Thanks” award, a pad of colored papers shaped like a globe with “Thank you” written all over it in different languages. Any employee in the company can write a message of thanks to someone else and send it to that person. In four years, the company employees had used more than 130,000 notes.

Cyanamind Canada (Canada): “Key to Innovation Campaign,” which encourages workers to contribute ideas and become “frequent innovators.” For productivity-enhancing ideas, employees receive anywhere from 40 to 1,000 points, redeemable for awards featured in a catalog, including glassware, radios, televisions and weekend trips for two.

Today’s Temporary (Dallas, TX): Gives temporary employees who have worked during the previous six months a card with a scratch-off panel concealing a named prize. Prizes include a diamond watch, $50 or $100 in cash, calculators, and six months of free long-distance telephone calls.

T. Rowe Price (Baltimore, MD): “Spotlight on Excellence” program, focusing on employees who, in the long run, perform work that embodies principles and values the company wants to emphasize. Co-workers and managers are encouraged to nominate employees whose work demonstrates teamwork, service, leadership, integrity or initiative.

Mercury Interactive Corp. (Sunnyvale, CA): Incentive program’s purpose is to motivate field staff who maintain and troubleshoot clients’ computer systems by traveling outside the office. Field staff can access the company’s online awards program to report holes they encounter in existing client systems. Employees receive points for leads identifying weaknesses and even more points for leads that generate business.

Boeing (Puget Sound, WA): “Pride@Boeing” program. Includes an instant awards program accessible to employees and managers. Fifty employee volunteers serve as recognition focal points (“focals”) and provide their colleagues with prizes, valued at $10 or less, to use as spot awards (examples include movie tickets, personal fans, calculators, or a voucher for a 10-minute massage available onsite with a service with whom Boeing has contracted). Focals provide these prizes to any manager or co-worker who wants to recognize a colleague. Administers a book program, which awards books covering leisure-time interests such as cooking, travel and running to employees sharing these interests.

Company Unknown
An employee fills out a recognition card and hands it to the person that is being nominated/recognized. That individual then places the card in the nomination box and each Monday a winner (randomly selected from the cards submitted) is selected to play...
the Powerball Machine on Friday.

The balls inside the Powerball machine are color coded to represent specific levels of prizes. One is labeled P3, which is worth $500. The prizes start at a value of $25.00 and work up to $500. Each Friday, all of the employees trek down to the drawing to see the Powerball event.

**B. 21st Century Issues: Extending Recognition Within & Beyond Organizational Walls**

Publicizing recognition on company intranet sites, as well as various other social media outlets, can further reinforce positive behaviors, increase brand recognition, and promote positive publicity. The most successful of these programs incorporate both an internal and external recognition dimension.

An internal, company-based web rewards and recognition solution can provide the means to share recognition with the entire company using a newsfeed. Peer-to-peer recognition allows employees to recognize one another, regardless of title or department, all the meanwhile contributing to a sense of teamwork and fostering a culture of recognition. Broadcasting acknowledgments in such a highly visible manner can also promote a greater awareness of how the many moving parts of an organization fit together.

Sharing recognition beyond the company walls can also greatly benefit business. Online social networks—such as Facebook and Twitter—provide the means. By giving employees the option of sharing the recognition they’ve received on such media, employers can tap into the vast networks these communities offer.

Such publicity would greatly benefit the company, who would have free access to some of the most-trafficked sites in the world. The updates can also link back to the employer’s site, where a webpage provides a more detailed description of why the employee was recognized. Such a page might include information an employer might deem relevant to potential candidates, or otherwise promote the company in any way it sees fit.

In short, by incorporating a social recognition component, an employer can potentially dramatically increase the efficacy of its own recognition program while simultaneously building its brand online.
Additional Resources

Websites

- National Association for Employee Recognition
  - www.recognition.org

- Incentive Magazine (Twitter)
  - http://twitter.com/Incentive_Mag

- Nelson Motivation Inc.
  - www.nelsonmotivation.com

- The Bill Sims Company, Inc.
  - www.billsims.com

- The Light Group
  - www.incentivesmotivate.com

- Rideau
  - http://rideau.com/

- Maritz Incentives
  - www.maritz.com

- Globoforce
  - http://www.globoforce.com/

- Workforce Management
  - www.workforce.com

- Build A Better Workplace
  - http://buildabetterworkplace.com/

- International Personnel Mgmt. Assn.
  - http://www.ipma-hr.org/

- World At Work

- Incentive Logic
  - http://www.incentivelogic.com/
Vendor Websites

• cardex.com
• flooz.com
• giftcertificates.com
• giftpoint.com
• chooseyourgift.com
• recognition-plus.com
• premierechoiceaward.com
• motivationonline.com Motivation Online
• themillercompany.com The Miller Company

Books

• 1001 Ways to Reward Employees by Bob Nelson
• 1001 Ways to Energize Employees by Bob Nelson
• Work & Rewards in the Virtual Workplace: A “New Deal” for Organizations and Employees by N Fredric Crandall, Fredric Crandall and Marc Wallace
• Getting Employees to Fall in Love With Your Company by Jim Harris
• Recognition, Gratitude & Celebration by Patrick Townsend and Joan Gebhardt
• Rewarding and Recognizing Employees by Joan Klubnik
• 101 Recognition Secrets: Tools for Motivating and Recognizing Today’s Workforce by Rosalind Jeffries
• Secrets of a Successful Employee Recognition System by Daniel Boyle
• Workplace Recognition: Step by Step Examples of a Positive Reinforcement Strategy by Sue Glasscock and Kimberly Gram
• Rewarding & Recognizing Employees: Ideas for Individuals, Teams and Managers by Joan Klubnik
• How to Recognize and Reward Employees by Donna Deeprose
• Innovative Reward Systems for the Changing Workplace by Thomas Wilson and Rosabeth Kanter
• Maximizing the Impact of Recognition: An Approach to Rewarding Employee Contributions (Building Blocks in Total Compensation) by Donald Hay
• Managing Reward Systems by Michael Armstrong
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