With the national unemployment rate hovering in the 4-percent range, fully 90 percent of economists surveyed recently by the Wall Street Journal responded that the United States is at full employment (42 percent) or that they feel full employment is very close (48 percent).¹

As the nation approaches full employment after many years of high unemployment following the recession of 2008, turnover rates will have an additional impetus to trend upward. As people have more choice in where they make a living, employers will face the challenge of finding and retaining skilled staff.

“Employers are reporting rising voluntary turnover rates, indicating the workforce has increasing confidence in the job market,” said Amy Kaminski, Vice President for Compdata Surveys. “Your key employees have options when it comes to where they want to work.⁶

Understanding turnover trends allows you to put programs into place for retaining your quality employees, as well as develop a solid plan for recruiting new ones.”²

Even before full employment is factored in, it is helpful to understand recent baseline turnover figures. Long-term care turnover rates can easily run into the double digits. According to the 2017–2018 Nursing Home Salary & Benefits Report,³ the average national rate of turnover in nursing homes is 33 percent.

Even more astounding, the American Health Care Association⁴ reports that approximately 43 percent of nursing home administrators leave their jobs each year.

In the assisted living arena, some positions are trending lower but some critical positions, like dining staff, continue to inch ever upward.⁵
The cost to replace and hire new staff is estimated to be 60 percent of an employee’s annual salary. Source: The Society for Human Resource Management’s (SHRM’s) Human Capital Benchmarking Report found that the cost to replace and hire new staff is estimated to be 60 percent of an employee’s annual salary. Then organizations must also deal with the disruption, extra work and impact all of this has on operations.

To be an employer of choice, leaders must consider far-reaching effects downstream in other areas, such as census and marketing, the financial management of the organization, customer and family satisfaction, and staff morale.

To be sure, the turnover issue won’t be solved overnight. The good news is some real change is happening in the long-term care space—with more focus on the “human” element of human resources—retention strategies built on what employees want in order to be more engaged and concrete interventions such as better hiring practices, more line manager involvement and ownership in developing a workplace that actually promotes engagement and retention.

Rewards and Recognition—A Tool in the Retention Toolbox

Rewards and recognition is one of many tools in the retention toolbox. Once organizations make that all important hire, what impacts those hires so that they become engaged with their work and organization, and more importantly stay engaged? It helps to understand what people look for when they make our organizations their preferred choice.
Lee and Holtom’s work on job embeddedness tells us all that humans, no matter where they are in the hierarchy of an organization, have three driving questions when deciding on and entering a new work environment:

1. **Does this organization “walk the walk”?** In other words, does this organization live its mission? And can I see myself being a part of that mission?

2. **Can I physically and cognitively do the job?** This goes to the heart of the training and development the organization will provide to the new hire across their lifespan as an employee.

3. **Lastly, will I fit in?** This covers the social aspect of the organization. There is a reason that one of Gallup’s engagement questions is “Do you have a best friend at work?” The positive social webs we develop can bind us to an organization. Lack, or even worse, negative social webs repel us to seek our fortunes elsewhere.

Further complicating the matter is the rise of the Millennial, Gen X and Gen Y generations and those following who have very specific ideas of what they need—**see below.**

### WHAT MILLENNIALS WANT

<table>
<thead>
<tr>
<th>...FROM THEIR BOSS</th>
<th>...FROM THEIR COMPANY</th>
<th>...TO LEARN</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top five characteristics millennials want in a boss:</strong></td>
<td><strong>Top five characteristics millennials want in a company:</strong></td>
<td><strong>Top five characteristics millennials want to learn:</strong></td>
</tr>
<tr>
<td>• Will help me navigate my career path</td>
<td>• Will develop my skills for the future</td>
<td>• Technical skills in my area of expertise</td>
</tr>
<tr>
<td>• Will give me straight feedback</td>
<td>• Has strong values</td>
<td>• Self-management and personal productivity</td>
</tr>
<tr>
<td>• Will mentor and coach me</td>
<td>• Offers customizable options in my benefits/reward package</td>
<td>• Leadership</td>
</tr>
<tr>
<td>• Will sponsor me for formal development programs</td>
<td>• Allows me to blend work with the rest of my life</td>
<td>• Industry or functional knowledge</td>
</tr>
<tr>
<td>• Is comfortable with flexible schedules</td>
<td>• Offers a clear career path</td>
<td>• Creativity and innovation strategies</td>
</tr>
</tbody>
</table>
When you combine nearly full employment with the innate needs of all humans and sprinkle in the behaviors of a younger workforce who doesn’t think twice about seeing what else is out there for their “perfect fit”, it becomes increasingly necessary to analyze just what you are providing as an employer.9

Rewards and recognition programs of some type are reported in over 80% of organizations, which amounts to a 46 billion dollar10 investment that organizations are making trying to keep performers in seat. These programs had their beginnings in the “gold watch” or annual longevity reward programs of old. As the workplace became more competitive, employers needed a way to support the workforce that was less expensive, could include more people and was relatively “in the moment” and easy to do. They began at the grassroots level for most organizations. Managers provided hand written notes of appreciation or would provide public accolades for the employee at meetings and functions. A small token may be included such as Starbucks cards and the like. Nevertheless, these grassroots beginnings were hard to measure organization wide as they weren’t usually managed from a top most level. This manager driven model was also easy to discount, as organizations did not have an easy way to account for the money spent and gains made.

However, research shows that in organizations where employees are recognized, the company’s average score for employee results (an index of employee engagement, employee productivity and customer satisfaction) was approximately 14 percent higher than in organizations in which recognition does not occur. Other research shows that a 15 percent improvement in employee engagement can result in a two percent uptick in operating margins.11

An additional issue with this grassroots approach is that recognition means different things to different people. Some people don’t want to be singled out in front of all. Others aren’t coffee drinkers…you catch my drift. It is imperative that there is a match between what the employee values and what the organization provides.

So, organizations need to understand some basics around what recognition is. Recognition is defined by Bersin as:

“...the expressed appreciation by one person to another for that person’s behaviors, activities or impact.”12

A person’s “behaviors, activities or impact” are usually (and should be) aligned with the organization’s mission, beliefs and objectives.

While manager recognition is still part of the gold standard of recognition, Bersin’s definition allows for peers to be included in the recognition, which most forward-thinking companies promote. If you refer back to Lee and Holtom’s three driving questions of new hires, the social construct is
a powerful one, and one that can be leveraged in recognition programs. This broadens the recognition pool significantly. To be recognized by one’s peers is a powerful driver.

Now that the “recognizer” pool has been broadened, complexity increases. Once employers broadened their plans to include peers, they found recognition programs withering when only word of mouth was used. People get busy and after a spectacular roll out, recognition could languish. And peers did not have a way to easily associate any reward with their recognition.

Employees need both a culture that believes in recognition and an easy to use way to practice it. Employees need a plan—a platform that helps them understand what their recognition options are and provides a way to provide their recognition to others.

It is also important the recognition platform fits within a total rewards package due to the scope and expense of the initiative. Today’s evolved model of reward and recognition doesn’t discount hand-written notes or personal messages, it allows companies to structure these in a way that can be organized, cost effective and evaluated.

As you can see from the graphic below, the Recognition column provides for both praise and financial reward.13

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Figure 1: How Recognition fits within Total Rewards


Elements of the Total Rewards Package

- Recognition
  - Praise & Emblematic Rewards a
  - Token Rewards b
  - Monetary Rewards c

- Skills Development & Career Development

- Benefits

- Compensation

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a. Emblematic rewards are a type of recognition that includes praise and appreciation, special projects, certificates, and trophies ad plaques.

b. Token rewards are a type of recognition that includes rewards of smaller values, typically around $100. These rewards can include gift cards, candy, flowers, lunches/dinners and merchandise, or points that can be converted to other items.

c. Monetary rewards are a type of recognition activity that includes rewards of values above $100. These rewards can include special trips (e.g., team outings), awards conferences, learning conferences, cash / vouchers and extra paid time-off.
Are We Hardwired to Need Reward and Recognition?
So why are these programs successful?

Economists, and most business people, assume that work is an economic contract: time and skills given in exchange for money. But behavioral economists and neuroscientists are now suggesting that work is actually a social contract. Matt Lieberman, founder of Social Cognitive Neuroscience, says: “Social is not one of our programmes—it is our basic operating system.”

OUR NEED FOR PURPOSE AND RELATEDNESS
We all have a primary need to receive attention—social connection or relatedness. Relatedness is people’s need to care about and be cared about by others, to feel connected to others without concerns about ulterior motives and to feel that they are contributing to something greater than themselves.

Relatedness is deepened when leaders ask people how they feel about an assigned project or goal and then listen to their responses. It is also deepened when leaders take time to understand how people’s values at work align with their goals. Enhancing social contact in the workplace can also be very rewarding.

Our brain also encodes positive information (like a reward or a positive work environment) better than negative information (like a punishment). In fact, people often assume negative information is unrelated to them, but view positive information as very much relevant, which generates an optimistic outlook.

We can infer from animal studies how our human brains react to reward.
The human brain has one million brain cells that carry the neurotransmitter dopamine. These dopamine neurons are located in the centre of the brain but have pathways to many other parts of the brain.

If a laboratory animal receives the exact reward it is expecting, activity in the dopamine neurons will increase slightly. But if the reward is greater than expected, activity levels increase much more dramatically. Similarly, activity levels fall to below the baseline if the reward is less than expected.

The researchers have also proven that the response steadily declines if the animals receive the same reward again and again.

If the reward for an action is better or greater than expected, we will do more of the same in anticipation of a greater reward. If the reward is poorer or smaller than expected, we will avoid repeating the action.

We learn from both situations—we learn from our actions.

Understanding these fundamental aspects of neuro-science and neuro-psychology will help HR professionals in looking at reward at workplace in a holistic perspective. We not only have to design the work but also other associated aspects of the work to ensure that there are enough signs and signals being picked up by the human brain to stay engaged and motivated.

So, if you are an HR or business leader looking to design or redesign your reward and recognition program, not only do you have to understand the rewards that three different generations may need from the same type of work, you also have to keep surprising them time and again to keep them motivated.
What Type of Recognition and Rewards Are There?
Bonusly is a company out of Boulder, Colorado that provides primers on human capital topics such as turnover, performance management and rewards and recognition. Their Employee Recognition Guide is a great primer to anyone new to the various forms of employee recognition. Their guide lists the following types of reward/recognition:

TOP-DOWN RECOGNITION

In a top-down employee recognition system, an employee’s supervisor witnesses and recognizes their contributions. Top-down recognition can take many forms. Some examples are:

**Years of Service Award**
In recognition of an employee’s continued contributions to an organization over a number of years, a ‘Years of Service’ award can be given at specific intervals, or milestones.

‘Years of Service’ awards do not often involve financial compensation, but may include a gift of some kind. Commonly offered awards include: plaques, engraved pens, or group greeting cards.

**Employee Appreciation Day**
Employee Appreciation day is a semi-formal holiday founded by Bob Nelson, a founding board member of Recognition Professional International. Over the past 20 years, other companies have embraced the unofficial holiday, paying homage to their employees on the first Friday of March.

Organizations have been known to celebrate Employee Appreciation Day with small company-funded events like barbecues or small office parties. Additional financial compensation is not often an element of Employee Appreciation Day.

**Annual Bonuses**
An annual bonus is financial compensation given to employees in addition to their base pay. Annual bonuses are given once per year, usually at the end of the fourth business quarter. Annual bonuses can be given for a multitude of reasons but are usually based on performance, either the performance of the organization, the individual, or both.

*For example:* Emma’s sales numbers exceeded her quota for four consecutive business quarters. To recognize her achievements throughout the year, Emma is given an annual bonus in addition to her base salary and commissions.

**Quarterly Bonuses**
Quarterly bonuses are similar to annual bonuses but are metered out on a more frequent basis (per business quarter). Quarterly bonuses are most commonly given as part of a heavily performance-based compensation model. Sales organizations are common adopters of the quarterly bonus structure.

*For example:* Alex landed Acme Inc.’s largest customer this quarter. In recognition of that achievement, Alex is given a quarterly bonus at the end of Q2.

**Spot Bonuses**
Many organizations choose to thank workers ‘on the spot’ for achievements that merit particular notice. These bonuses are generally given in recognition of an employee exhibiting exceptional productivity.

Spot bonuses are normally $50 USD or more. They’re most often given by a direct manager,
an indirect manager, or senior coworker in the organization, but can also be given by coworkers as part of a peer-to-peer recognition program.

Their on-the-spot nature dictates that spot bonuses are given at an irregular cadence, in contrast to annual and quarterly bonuses.

For example: Fatima’s attention to detail and quick thinking saved the company from losing a long-time client. In recognition of her valuable contribution, Fatima is given a $100 spot bonus.

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### PEER-TO-PEER RECOGNITION

In a peer-to-peer recognition system, managers as well as other co-workers are all empowered to recognize and reward the contributions of their colleagues.

Some of the most common forms of peer recognition are:

**‘Gold Stars’**

Some organizations encourage employees to recognize one another’s contributions through the giving of small mementos. Gold stars are a good example of this type of recognition. These stars are sometimes given a tangible value, and can be exchanged for real-life items.

*For example:* Despite an already busy schedule of coding, Javier decides to help out his colleague in the marketing department, who is having trouble implementing a new tool. He earned a gold star from his colleague, Allison, in return for the impactful assistance he offered.

**Verbal Praise**

Verbal praise is perhaps the oldest, and longest-standing form of peer-to-peer recognition in the workplace. Verbal praise is given by colleagues, generally in an ad-hoc fashion, in recognition of a staff member’s valuable contribution.

Although nearly always informal in nature, verbal praise is occasionally solicited as part of a formal staff recognition program.

*For example:* Acme’s newest customer was extremely impressed with Esther’s timeliness and attention to detail. At the beginning of their sales strategy meeting, Esther’s colleagues all congratulated her on the achievement, showing their appreciation for her efforts.

**Micro-Bonuses**

Micro-bonuses are small monetary rewards given frequently by one colleague to another in recognition of a valuable contribution. Although micro-bonuses can be given by managers to their direct reports, they can also be given by other colleagues, and even from a direct report to a manager.

Micro-bonuses provide several unique benefits. Like spot bonuses, staff recognition in the form of micro-bonuses can be given in the very moment that a valuable contribution is made by an employee. Employee recognition given in the moment has the greatest potential for impact, because the action is rewarded almost immediately, when it is top-of-mind.

Because micro-bonuses are small by nature, they can be given often, providing multiple positive instances of employee recognition without dramatically altering an employee’s compensation.

*For example:* Jeremy’s new update to the company’s landing page improved conversion by 60 percent and brought in three new signups in one day. Jeremy’s colleague, Elisa, gave him a micro-bonus because those new signups became part of her sales pipeline.
What Do These Programs Cost?

While it may be difficult to provide hard costs data because of all the variables that come into play with specific recognition options, a few rules of thumb can be gleaned from NextLevel Performance’s research:

• Milestone (Years of Service) programs in which employees are recognized on service anniversaries such as 5, 10, 15 and up to 40 years, will typically cost about $45 per employee annually.
• Manager Spot Awards, Peer Recognition, and “Living the Values” programs cost in the range of $15 – $65 per employee annually.

Estimating Your Investment

• With these numbers, you can determine a starting point for your budget. A milestone program, for example, can be estimated by multiplying your company’s total number of employees by the $45 per-employee rate. So, a 5,000-person company might be in the $225,000 range, while a company with 1,000 employees might roughly spend $45,000 year.

• However, your particular situation will likely vary depending on various factors, such as how often you want to recognize employees (every 5 years, or just on years 10 and 25) and how much you want to award.

Whether you are new to employee recognition or are looking to refresh your current program, it’s always useful to get a quick snapshot of a typical costs across a range of companies. These guidelines should provide valuable insight into this important area of employer-provided benefits.

How Do You Set Up a Rewards and Recognition Program?

To today’s competitive environment, organizations are developing reward systems that seek to keep workers engaged. Not only are they a “good to have”, but the can also play a role when times are tough—like when budgets for traditional raises are tight, change is impacting the staff or you have other reasons why staff satisfaction is low.

The Society for Human Resource Management, or SHRM, provides a great deal of information on how to get started or tune up an existing rewards and recognition program. Please see the Resources section to find a link to their website. They have a toolkit that is valuable for new setups as well as providing guidance for an already existing program. The following is synopsized from SHRM.
SHRM is also able to advise on industry trends and they have provided a few less-traditional areas for recognition. Among them are:

- The ability to manage or champion change
- Innovation
- Systems improvements
- Customer or client retention
- Morale-building
- Talent acquisition and retention
- Market diversification
- Technological advances
- Significant personal development
- Actions that embody the organization’s core values

**HR’S ROLE**

The HR team is typically front and center in the policy development, the design of employee recognition programs and their implementation through vendor selection, program management, training, communications and results tracking.

Although some larger organizations use internal teams to provide recognition services, programs are usually outsourced to experienced vendors that have access to a broad range of recognition products and that can handle tax compliance and reporting requirements. Even though a recognition program may be outsourced, however, the HR team oversees the program and communicates with managers and selected employees about what is offered and how to access the rewards.

When choosing a vendor to provide reward services, the employer should consider a vendor’s level of experience, reliability, scope and quality of awards offerings, and references from current clients.

**TAX CONSIDERATIONS**

Employee recognition awards have certain tax implications. Although there are exceptions, awards employees receive are generally taxable and must be reported as additional earnings on an employee’s Form W-2 at year-end. Detailed guidance can be found in the Internal Revenue Service’s *Internal Revenue Code*. The code’s §102 (gifts and inheritances), §274(j) (achievement awards) and §132(a) (de minimis exclusions) should be reviewed carefully.

Ordinary business expenses in the promotion of employee morale, however, are not generally taxable. Examples of such expenses are occasional business lunches and office gatherings, or flowers for bereavement, hospitalization or family crises.

**POLICY AND DESIGN**

Employers should provide a clear, written policy and guidelines describing the recognition program and its terms, such as eligibility requirements, approval process, types of awards and frequency of award presentations. Organizations should make clear the performance goals that they will measure and spell out the thresholds for awards.
The organization should communicate both the criteria and examples of the types of work behaviors that warrant an award. This communication will help all employees understand how to judge the desired outcomes. It will also ensure timely recognition, which is necessary for the program to be effective.

Some employees may not be as motivated as others by an organization’s incentives, so organizations should offer a variety of incentives and recognition opportunities to meet various employee needs. For example, Generation X employees—those born between 1966 and 1978 and who are regarded as lacking organizational commitment—are more likely to be motivated by time off than by money. Conversely, older workers are likely to find bonus incentives more attractive.

In addition, job types, job levels, work locations and working environments may differ. As a result, offering a variety of both cash and non cash incentives is usually most effective in making the program meaningful to all participants.

Finally, when designing a recognition program, allow it to be adjusted later on as circumstances warrant. New situations may suggest new ways to recognize employees. Some organizations find that reviewing awards programs periodically brings to light worthwhile suggestions for improvement.

**ESSENTIAL CRITERIA FOR SUCCESS**

For a recognition program to be effective—not just for employees but for the organization as well—it should meet several criteria. It should be well funded, aligned with organizational goals, appropriate for employees’ achievements and timely. The methods of presenting awards must be managed well, with managers themselves playing key roles. The process for choosing and recognizing employees should be straightforward and the program should be reviewed and evaluated regularly.

**MANAGEMENT TRAINING**

Few managers are “naturals” in carrying out employee recognition and awards programs. Most need to acquire skills related to recognizing employees’ contributions and giving effective feedback and praise. All managers should be trained to do the following:

- Stress the importance of the program to employees and explain how it can affect the company’s bottom line.
- Help employees understand the impact their performance has on the organization’s goals and how they drive the business to succeed.
- Discuss the approach for managing and rewarding individual and team performance.
- Explain how the program works and how employees can achieve recognition.
- Learn ways to motivate and inspire others.
- Learn how to communicate needs, expectations and goals clearly.
- Deliver appreciation and praise in a sincere and timely manner for maximum results.
- Managers should be reminded about the various ways they can recognize and reward employee achievement so that they feel comfortable deciding the best types of recognition and how to present them to their employees.
COMMUNICATION
The means of telling employees who is being rewarded and why depends on the organization’s culture, including how comfortable employees and managers are with public recognition. In some corporate cultures, recognition by peer groups is significant. In others, an acknowledgment in the company newsletter is sufficient. In some instances, such as a spot cash award, the award itself may be all that is necessary. In other circumstances, having the CEO present awards at more elaborate ceremonies in front of all employees may be best.

METRICS AND REPORTING
An employee recognition program should include a means of measuring the value it creates. Few organizations track the return on investment of their employee engagement or recognition programs. Those that do such tracking, however, generally use employee retention levels, overall financial results and employee productivity levels.

Programs should also be monitored continuously to keep them relevant and current. Among the questions that can help determine the program’s effectiveness are the following:

- Are rewards adequate, fair, competitive and appropriate?
- Have the program’s objectives been met?
- Has the program helped change processes or did it support the organization’s other performance initiatives?
- Does the program have appropriate levels of communication?
- Do employees find the program meaningful?
- What changes should be made?
Best Practices
Kathryn Wilburn, Senior Vice President, Employee Experience Practice Lead at Edelman, shares these six hallmarks that will help you build your best-in-class employee recognition program.21

1. Align your program to company strategy and values.
   The program should align with the needs and expectations of the workforce. It has to connect to employees’ day-to-day reality and what you’re already asking them to do. For example, a recognition program for a pharmaceutical company may focus on innovation and agility, while a manufacturing company’s program could be aligned with safety and operating excellence.

   Tying recognition to strategic objectives and values reinforces the sort of thinking and behaviors you’d like to see more of in your organization. When done correctly, great recognition programs show employees how the work they do contributes to the bottom line. They provide tangible evidence of great strategy execution.

2. Get senior leaders on board.
   Establishing a culture of appreciation and implementing a recognition program requires executive sponsorship and accountability. In addition to committing resources, leaders need to be ambassadors of the program and model the desired behaviors from the top down. It also demonstrates senior leadership’s commitment to building a high-performing organization.

3. Demystify the selection process.
   Make all aspects of your program transparent. From day one, employees should know the award criteria, how nominations are collected and evaluated, and awards selected. The program needs to be viewed as fair for employees to want to participate.

4. Use storytelling to educate employees and set a standard.
   Get the most out of your investment. While celebrating employees at a recognition event is a great start, it only begins there. Sharing the winning stories through organizational communications will help educate employees on what the strategies and values look like in action. It reminds employees that their dedication is valued, establishes them as role models and inspires others to raise the performance bar.

5. Move beyond carrots and sticks.
   The workforce has changed. More than ever, employees are motivated by purpose more than money. What does this mean for your recognition program? Consider other rewards beyond extra compensation.

6. Measure your program’s impact.
   In business, what you measure is what matters. First, identify the key metrics for success. Do you want to increase employee engagement, deepen employees’ knowledge and understanding of your strategy, or increase feelings of pride? Maybe it’s all of them. Once you know what you want to measure, benchmark your program at the outset with internal employee surveys. Watch these metrics year over year to fine-tune your program to ensure you’re delivering on program objectives.
Key Takeaways:

• Reward and recognition programs today are becoming a requirement rather than a “nice to have” for their strategic and bottom-line impact.

Bersin & Associates’ research on high-impact performance management found that, in companies in which recognition occurs, the organization’s average score for employee results (an index of employee engagement, performance and productivity) was approximately 14 percent higher than in organizations in which recognition does not occur.22

Other research shows that a 15 percent improvement in employee engagement, of which reward and recognition are a part, can result in a two percent uptick in operating margins.11

• Reward and recognition programs don’t just keep your best and brightest. They are also a great way to get new employees in the door in these tightening times.

In SHRM’s, Using Recognition and Other Workplace Efforts to Engage Employees23, 68 percent of HR professionals agreed that employee recognition has a positive impact on retention and 56 percent said such programs also help with recruitment.

• With these programs maturing, there is an abundance of data and information to be had that allows organizations to design unique reward and recognition program that fit their budget, make sense for their strategic direction and culture, and track and modify those system accordingly.

• When designing a program, remember the following:
  - Don’t underestimate the power of a simple, personal note.
  - Provide a platform/model that people actually will and want to use.
  - Evaluate your model regularly to keep it fresh and meaningful to all.

Get started on engaging your workforce so that your organization can achieve its quality and performance goals.
Resources