

# Exploring The Cost-Benefit of Employee Rewards



There are numerous ways to reward employees including many ways to provide both financial and non-financial rewards and incentives. However, it is important to remember that all rewards and incentives come with a price, even if they appear to have no upfront price tag and not all incentives, regardless of cost, offer the same value in return. Understanding the full range of costs can help when deciding what rewards and incentives to provide in your organization.

## **4 Basic Reward Standards For Employees**

1. **Compensation:** direct financial rewards including monetary bonus, stock and options, raises, prepaid cards, gift cards and indirect financial rewards in the way of gifts, merchandise, tickets to events,
2. **Benefits:** Gaining access to an expanded array of company benefits including gym memberships, concierge services, discounts, training and education, conferences and more
3. **Appreciation:** Public and/or private demonstrations of gratitude to employees for their actions and accomplishments (a pat on the back, a note saying thank you).
4. **Recognition:** Public acknowledgment of employees in front of their peers, management, customers and the public

## **Costs of Rewarding Employees**

According to a recent study (conducted annually for the past 5 years) Berkely Payment Solution's 2014 Canadian Incentive Trends found that the majority of Canadian employers of all sizes (70%) provide reward incentives to their employees. These rewards varied from small token items such as a \$5 gift card or company merchandise to higher costs items such as tickets to a sporting event, hundreds of dollars and more in financial compensation. For employees the perceived value of these rewards varied in popularity and for the organizations they varied in effectiveness.

Although some rewards have a bigger up front price tag and some appear to have no cost if you look at the big picture all rewards and incentives have a cost. An inexpensive reward that does not return on the investment can cost as much or more as one that costs more up-front but returns better value.

Non-financial rewards such as recognition can cost in morale and retention if not properly administered. Recognition that is perceived as inappropriate, unfair or preferential can cost you by demotivating employees who do not receive rewards and demonstrating to everyone that management is out of touch with reality. Publically acknowledging an unpopular employee may cause resentment and more on the part of other employees.

Rewards are impacted by many factors including the age, situation and individual preferences of an employee, the efficiency and effectiveness of managing the reward to the organization and the perceived fairness and value. Providing a reward of a dinner for two to your favourite steak house may not be a reward for your vegetarian millennial or parents who now have to find and incur the costs of childcare. Many organizations forget to consider the cost to their employees including the possibility of the reward being a taxable benefit.

All rewards programs have the added cost of taking time and staffing resources for management, administration, tracking and rewarding. The hours spent identifying and monitoring variables and dealing with potential conflict and fallout can cause the rewards to lose their sheen.

**Understanding the full and complete picture of costs includes:**

- Upfront costs of the reward
- Hidden costs of the reward to the recipient
- The cost of a poor reward process that rewards inappropriate or ineffective actions
- The staffing time and resources costs for management, tracking and administration
- Psychological impact on employee's who do not perceive the reward as attainable, accurate or fair or who, as a result of many factors, are unable to ever compete for a reward.

It may seem as though the rewards and incentives are not worth the problem. However, done well incentives and rewards can have the desired impact of acknowledging employees for their efforts and contributions. Research shows us that employees expect to be given rewards and incentives. Research also shows us that feeling appreciated and having an opportunity to contribute to an organization provides among the best returns on investment for an organization. Employees may want financial rewards but they also want to feel appreciated and valued for their contributions. By offering a combination of financial rewards with appropriate amounts of recognition and acknowledgement you may be able to maximize your ROI on rewards and incentives.