

Reward Compensation: **Turn the Great Resignation Into the Great Retention**

The Great Resignation¹. You've heard about it before, and you'll hear about it again in the future. For those who think it's overblown or not worth talking about, consider that **over 47 million people quit their jobs in 2021!**

Compare that to 29 million in 2020 or even the 35 million in 2019. 47 million² quitting in a year is the highest number of resignations in the last two decades. And ***resignations are still trending up.***

Resignation rates rose to record highs for seven straight months in 2021, and a whopping **4.5 million Americans quit in November of 2021 alone, the highest number since resignation rates started being recorded in 2001.** December saw over 4.3 million people quit, the second highest number in recent history. And to top it all off, 48%³ of employed people are actively thinking of leaving their jobs. This problem isn't just going to magically go away.



1. Interactive Chart: How Historic Has the Great Resignation Been?, SHRM
2. A record number of Americans quit their jobs in 2021, CNN Business
3. Interactive Chart: How Historic Has the Great Resignation Been?, Computer World

So, why are people leaving? Recent studies⁴ show that it ISN'T based solely on traditional salary or benefits, factors typically cited by managers and executives.

The global pandemic caused a reshuffling of priorities for many in the workforce, and that led to the current predicament we find ourselves in. Employees want and deserve to be treated better. They're looking for new workplaces that offer them more respect, more recognition, more opportunities, and, better or unique forms of compensation that add value to their lives. There's no ignoring that we, as HR managers and business leaders, need to do better in offering our employees more value. What can we do to help our people feel more valued? How do we maintain a healthy retention rate?

Let's not beat around the bush: the answer lies in **reforming and redefining compensation**. The modern workforce no longer sees compensation as simply the means to survive, but rather the means to thrive. A million of the 4.5 million people who quit in November were low-wage employees looking for pay⁵ that would improve their lives, and it's widely known that finding a new job often leads to pay increases⁶, motivating even more resignations. So let's look at compensation—what businesses are doing, why standard practices aren't working to retain talent, and how we can fix it.

What Is Compensation?

The idea behind compensation is a good old-fashioned trade. **You give me your time, effort, or expertise, and I give you money.**

And while a decent paycheck used to be more than enough to retain employees, a competitive salary is now expected (along with healthcare for full-time employees).



4. [These Are the Top 5 Reasons People Are Quitting During the Great Resignation, According to a Massive New Analysis \(Hint: None of Them Is Pay\)](#), INC.com

5. [A new study says knowledge is money: If workers knew how much they could make elsewhere, even more would quit their jobs — and low-wage roles would be forced to pay more](#), Business Insider

6. [Switching jobs is often an effective way to boost income. When to put yourself on the market](#), CNBC



Many companies have tried expanding their compensation to include fun benefits and perks beyond healthcare and insurance. However, things like healthy snacks, nap rooms, and ping pong tables invite issues of their own. Many of these creative benefits are underused or underappreciated (paid gym memberships, anyone?), and they're often viewed as simple distractions by those who don't use the benefit. This one-size-fits-all approach to providing benefits is ill-suited to retaining individual employees or improving their lives.

So a good salary is expected in the work environment, and creative benefits can only get you so far. How do companies boost their compensation, then? What's the most common method many companies use to retain talent? Enter the traditional bonus.

Traditional Bonuses: Retention Needs More

Bonuses were created way back in the Industrial Revolution⁷. Employers were looking for ways to create loyalty, and they were mostly used as a balm to cover up poor employee experience. “You worked 12-hour days with no breaks without sitting down even once? Here’s some extra cash.” Luckily, bonuses have come a long way since then, and they’re now used to reward employees for their efforts in many different ways.

Bonuses are great in theory, but they also provide a lot of potential problems. Some bonuses are only given to high-performers or those who have been tenured the longest. At best, these types of bonuses help retain a small portion of the workforce; at worst, they communicate that an employee is only valuable to the organization if they’re in the highest-performing group.

Even holiday bonuses pose concerns for those wanting to boost retention. **January historically has the highest turnover rates⁸ for most industries.** That means many employees are simply staying until the holidays to get their bonus before they quit. A bonus strategy which ignores this trend

defeats the whole purpose of a bonus: retention that extends throughout the year! Let’s look at more pitfalls of bonuses:

- Bonuses can create feelings of unfairness, jealousy, or disappointment.
- Bonuses often create temporary compliance, where employees stop the desired behavior after achieving the bonus.
- Bonuses may set unrealistic expectations, especially if a company can’t offer consistently satisfying amounts.
- Bonuses sometimes foster unhealthy competition instead of collaboration.

Do you see the running theme here? Compensation is a vital part of retaining employees and surviving the Great Resignation, but competitive salaries aren’t enough anymore. And bonuses can complicate matters if not done properly. This leaves companies in a compensation conundrum. What can you offer to be more competitive? What will have the desired effect of giving tangible, noticeable value to your people by improving their lives?

7. A History of the Holiday Bonus – When Did Cash Bonuses Become Big for Business?, Recruiting Blogs

8. Turnover Highest in Month of January—Best Time to Hire and/or Retain, MRA

Introducing Awardco Pay

Awardco has developed a strategy that incorporates bonuses, rewards, and recognition and elevates all of these factors into something great: Awardco Pay, otherwise known as **Reward Compensation**.

Reward Compensation is a form of bonus compensation that is **given to every employee at regular intervals**. This compensation does not come out of the employee's regular salary, but instead it is a clever use of budgets most companies already have set aside: bonuses, service anniversaries, recognition, wellness, etc.

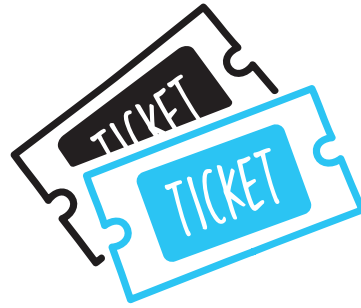
Here's the key, though. Reward Compensation is not just a holiday bonus or one-time gift. Remember, bonuses can sometimes create as many issues as they solve. Instead, this reward compensation would be given to that employee in regular installments throughout the year. So if you want to give them Reward Comp in addition to their paycheck, you would give them around \$20 per payday. If you'd rather offer that extra compensation each month, you could give them \$40 on a specific day.



 Pay

The point of Reward Compensation is to show that you value and care for all of your employees throughout the year, not just at irregular intervals. To that end, here are a few key best practices when implementing Reward Compensation:

- **Make it different from regular compensation.** Like we mentioned above, this compensation needs to be different than what an employee earns in salary. In fact, employees don't really have to earn Reward Comp. **It's a gift from employers to employees to show their appreciation.** We recommend providing this extra cash in the form of points on the Awardco platform. This will ensure employees can spend it on something fun instead of more mundane things (bills, groceries, etc.).
- **Ensure every single employee receives something.** How you give out Reward Comp is up to you. However, the ultimate goal of this compensation is retention throughout the year. If you don't provide reward compensation to every employee, you won't boost retention for every employee—it's as simple as that.
- **Give it out at regular intervals.** We recommend you distribute Reward Comp on pay day, but whether you decide to do something weekly, bi-weekly, or monthly, **the point of this program is to provide people with something they can look forward to throughout the year.**

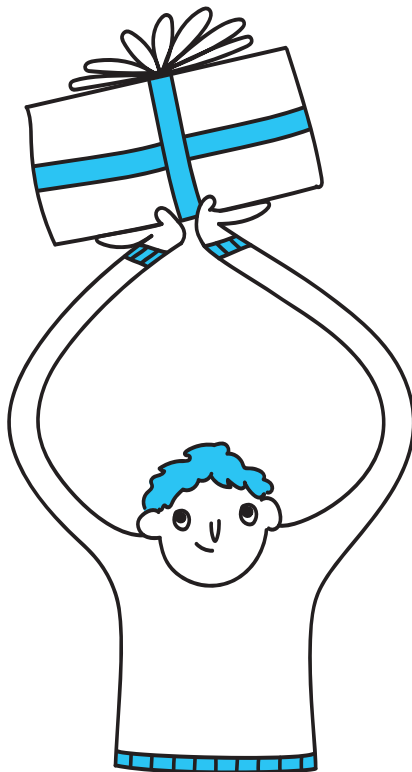


A note on using points on the Awardco platform. With these points, employees can spend their Reward Compensation on anything they want, including items from Amazon, restaurant gift cards, or event tickets. Plus, you can even manage what your employees spend their points on, if you like, by creating custom catalogs filled with thousands of curated items. This guarantees employees buy something fun!

This “payday positivity” (trademark pending) allows employers to give tangible rewards on a regular basis to each employee—tangible rewards that can make a real positive impact in their lives. Employees won't have to wait for an end-of-year bonus that may or may not be the amount they're hoping for, and they won't use holiday bonus money to pay off bills or Christmas presents. With Reward Compensation, retention becomes an all-year initiative.

Reward Compensation Recommendations

You may be wondering how exactly you should give your employees Awardco Pay. What is most effective? Every paycheck? Each month? We want to provide a few ideas that will hopefully help you come up with the system that works best for your company and your budget (because that's the best part of Reward Compensation—it's so flexible that you can utilize it however you see fit!).



How Much Should You Give Each Employee?

This is a question that each organization will have to answer on their own. A good baseline to start with would be to set aside 1% of an employee's salary for Reward Compensation. As stated earlier, a wise starting point is to reallocate existing budget (like regular bonuses or service awards) to use for Reward Compensation instead (because this is meant to augment or replace ineffective programs anyway).

The gold standard would be to dedicate 2% of payroll strictly to rewards and recognition and 3% to bonus compensation. We want to show employees that they really are the most important part of our business, and our goal is to retain and recruit the best talent we can.

1. Should Every Employee Be Given the Same?

This is a big one. Is it best to give everyone the same amount or base Reward Comp on tenure? Once again, this is a question you'll have to answer, but we'll just reiterate what we said above: **every employee should feel regularly valued with Reward Compensation.** So if you tie the amount to tenure, make sure those in their first year still get something, even if it's a lower amount. The average tenure for Millennials⁹ is two years and nine months, and less for Gen Z (two years and three months). We're willing to bet that a good portion of your workforce is made up of these two groups (35%¹⁰ of the workforce in America are Millennials alone). So if you leave out new employees, a large chunk of your workforce won't be rewarded regularly. Which means more fuel for the Great Resignation fire.

2. What Are Some Recommendations for This Program?

You can provide Reward Comp in all sorts of ways. Providing everyone with some Awardco points every pay period or every month is the simplest. However, there are other creative uses for Awardco Pay:

Direct Spending to Specific Rewards. Using Awardco's Smart Award Networks, you can ensure Reward Comp is spent on specific rewards. If you give out points by the month, you could give each month themed rewards. In June you could provide outdoor points for people to get new hiking shoes,

new workout clothes, or new camping gear. January could be the "stay indoors" month, with points toward streaming services, food delivery, or blankets.

Tie Awardco Pay in with other programs.

Do you have a wellness program or gym membership program that isn't being used much? Tie Reward Comp in and provide points for people to use on what wellness means to them! That could be home workout equipment, clothing, gym memberships, or yoga classes.

Use Awardco Pay to create an experience.

Make Reward Compensation even more special by curating experiences. Give people points to go to a fancy dinner with a loved one once a month. Provide the points for tickets to a theme park. You could also provide these points as a type of travel stipend—give everyone points they can use for plane tickets or hotel stays.

Celebrate service anniversaries with Awardco Pay.

Instead of rewarding an employee once on their service anniversary date, give them points throughout the year based on their tenure. This will give them positive experiences throughout the year to remind them why they love where they work.

However you choose to give out Reward Compensation, providing points, experiences, or rewards throughout the year will help employees stay excited, build loyalty, and feel valued.

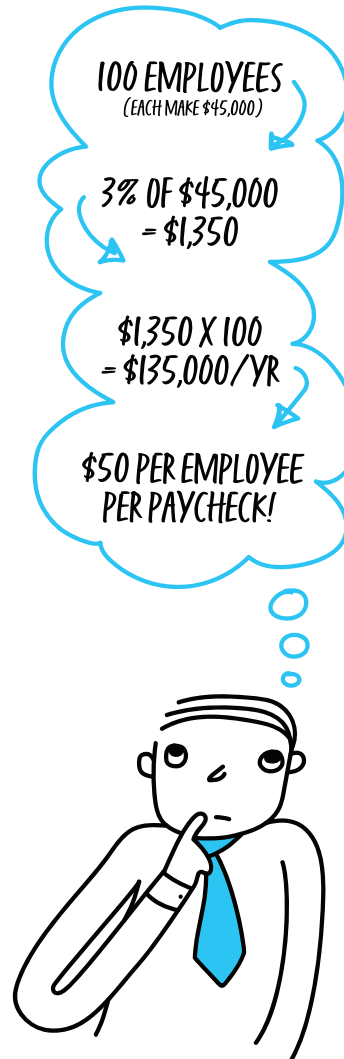
9. Millennials or Gen Z: who's doing the most job-hopping, Career Builder

10. Millennials in the Workplace Statistics: Generational Disparities in 2022, Team Stage

Why Consider Reward Compensation?

You may wonder why this is worth it or where you're going to get the budget to offer Reward Compensation. Let's work out a simple example to see the numbers more clearly. If you're a small business with 100 employees and have an average salary of \$45,000, you have a payroll of 4.5 million. To offer 3% of payroll for reward compensation, you'll dedicate \$135,000 per year (if you pay every employee an equal amount monthly, that's around \$100 a month per employee!).

You may think that sounds like a lot (and for your employees, an extra \$100 is a lot—which is awesome!), but that's the best part: in most cases you've already budgeted for (somewhat ineffective) programs to boost retention, so you can reallocate that budget and distribute it into Reward Compensation. That would make sure every employee is rewarded regularly and fairly.





And even if budget would need to be increased for Reward Compensation, as a form of recognition and rewards, this program will pay for itself. With regular recognition and rewards, you can:

- **Improve employee engagement by 2X¹¹**

- **Reduce voluntary turnover by 31%¹²**

- **Increase productivity by 17%¹³**

With greater engagement and productivity, you'll have happier employees who produce better work. PLUS, with that reduced turnover, you'll save even more money.

Each employee who quits costs up to .5 to 2X¹⁴ of that employee's annual salary to replace. So, hiring and training a replacement

employee making \$50,000 will cost you anywhere from \$25,000 to \$100,000. Think about that the next time you're sitting in a budget meeting and turnover is mentioned.

As we mentioned before, creative, one-size-fits-all benefits don't boost retention for everyone. With reward compensation, you provide every employee the opportunity to choose the perks they want.

Awardco can help you avoid ever-expanding turnover costs with Awardco Pay. Recognize and reward each and every employee consistently, and you will see more engaged, happy, and loyal employees.

11. Employee Recognition: Low Cost, High Impact, Gallup

12. Becoming irresistible: A new model for employee engagement, Deloitte

13. Why is Employee Engagement Important? 14 Benefits Backed By Research, Quantum Workplace

14. The 'Great Resignation' Is Really the 'Great Discontent!', Gallup

The Bottom Line

When you invest in rewarding your employees, you'll see huge dividends for your bottom line. Period. Awardco Pay is the newest innovation in employee rewards and bonuses, and we're confident that employees everywhere will appreciate getting reward compensation along with the benefits they already receive.

If you're interested in learning more about how Awardco Pay can revamp, replenish, and reinvigorate your bonus structure, get in contact with us. We're more than happy to help you set up this feature to try it for yourself and answer any questions you may have.

