

The Difference Between Recognition and Incentives Programs

As a rule of thumb, organizations are told to budget 1.5 – 2% of payroll to their enterprise recognition program. This amount is separate from incentives and reward programs yet might still be inadequate to address the challenges faced by organizations in today's fast-paced and disruptive business environment. Moreover, as more employees work remotely more often, social recognition programs might prove even more important instruments of connectedness, belonging and motivation.

Incentives, rewards and recognition each contribute to employee engagement and retention. Recognition is a critical element of any incentive and reward program, but organizations should also operate a broad-based, pure recognition program for two main reasons:

1. ***Recognition programs encourage behaviors.***

Incentives and rewards recognize individuals and teams for measurable achievements and outcomes (e.g., for surpassing sales quotas, building market share, and other tangible results).

2. ***Recognition programs are more universal, everyone can qualify and, ideally, the great majority of employees will receive at least some recognition.***

Incentive and reward programs tend to recognize a much smaller percentage of the organization – for example, top performers who deliver outcomes that can be financially quantified.

Incentive and reward programs drive tangible results and provide tangible rewards. They deliver an important recognition component, but because their reach is limited, broader recognition and appreciation efforts are necessary to fill the gaps.

Separate, broad-based recognition programs are ongoing. They answer the universal need for appreciation and belonging. They encourage behaviors that incentive and reward programs might miss, such as exemplary customer service, collaboration, learning, and risk-taking. Broad-based recognition boosts engagement, improves retention, builds corporate citizenship and creates a robust culture. In short, ***recognition programs are the foundation on which tangible outcomes are achieved.***