



Reward Preferences: *Making a Lasting Impact on Incentive Program Participants*

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Simple 'one size fits all' approaches to reward and recognition may not achieve their full potential in motivating and engaging employees.

During these challenging times, employees in all industries need to feel valued, particularly those who put themselves at risk through public interactions. Many companies are forced to do more with less, putting an additional strain on human resources. While many executives and managers want to express appreciation for outstanding performance, they often lack insight as to which recognition strategies appeal the most to their workers.

A key consideration is that, sometimes, what people say they want most may not be linked to the intended outcomes of the incentive program. For example, cash bonuses were highly rated by employees as a preferred reward, but cash bonuses were not associated with high levels of engagement. Given this disconnect between preferences and performance, the goals of this study are:

- Identify employee preferences for specific types of rewards and recognition
- Understand impact of reward and recognition on employee engagement
- Determine balancing factors between stated preferences and outcomes

The study examines two types of rewards:

1. Ongoing rewards & recognition
2. Annual rewards

The Study: Respondents

The study sample was 1500 US-based respondents who were employed full-time (35 hours+ per week). Respondents could not be self-employed, an independent contractor, or temporary worker. The survey was approximately 15 minutes in length.

The respondents were divided across a diverse number of industries, with no single industry representing more than 14% of the total sample. The gender of the sample was almost an even split (males 51%; females 49%) and evenly balanced between Millennials (30%), Gen X (30%), and Baby Boomers (36%), with a small number of Gen Z (18-22) and Silent Generation members (75+) making up the rest of the sample.

The Study: Recognition and Reward Preferences

Ongoing Rewards & Recognition

Respondents were asked to choose their top and bottom three preferred types of recognition, as well as their next top and bottom four preferences from a list of 24 options that included four types of reward approaches:

Tangible non-cash gifts

- Gift cards redeemable for food or merchandise
- Food gifts
- Points that can be accumulated or redeemed
- Gifts of appreciation sent to family members
- Company-logoed merchandise

Experiential gifts

- A company paid special event experience (e.g., concert, ballgame)
- A company paid dinner or lunch with family
- Having lunch or dinner with your department
- Going out for an early 'happy hour' after work

Developmental opportunities

- Getting to work on an interesting new project
- A paid opportunity to attend a conference or seminar
- Having lunch or dinner with your supervisor or company management
- Being given more responsibility at work
- Having the opportunity to mentor other employees

Intangible recognition

- Getting a paid day off
- Flexible scheduling
- Being recognized/thanked by company leadership
- Being recognized/thanked by your direct supervisor
- Freedom from managerial oversight
- Being recognized/thanked by peers
- Being recognized in the corporate newsletter
- Being recognized in a companywide e-mail
- Getting a special parking spot at work
- Receiving a plaque, certificate, or trophy

Annual Rewards

Respondents were asked to rank ten annual reward options in order of preferences:

- Cash bonus
- A promotion involving more responsibility
- An extra paid week of personal time off
- Company-wide recognition as a Top Performer
- A significant merchandise gift
- An incentive travel award
- An upgrade in job title
- A large trophy or plaque
- A meaningful experience customized to personal preferences
- A large number of points that can be redeemed for a desirable reward

Preferred Rewards: The Gifts of Time and Experiences Take Precedence

Employees ranked getting a paid day off as the top preference.

- Nearly half (49%) listed *getting a paid day off* within their top three preferences
- Another 21% listed it among their next four top preferences
- Only nine percent (9%) listed it within their bottom seven preferences

Remaining top five preferences focused on experiences:

- *Flexible scheduling*
- *Having the company pay for lunch or dinner with your family*
- *Having the company pay all expenses to a special event*
- *Gift cards for food or merchandise* was the only tangible gift with cash value to round out the top tier of recognition preferences.

Lowest ranked recognition approaches:

- *Getting a trophy, certificate or plaque*
- *Receiving company logoed merchandise*
- *Getting a special parking spot at work*
- *Having an email sent around the company recognizing your achievements*
- *Being given the opportunity to mentor other employees*

The low rankings, however, do not necessarily suggest these forms of recognition have no value. Several of these approaches are associated with higher employee engagement outcomes, as will be described later in this paper.

Generational Differences are Apparent

Even among top and bottom ranked preferences, there are some who reverse the order of preference.

- Even though 70% list *getting a paid day off* as a top seven choice, 9% list it within their bottom seven preferences.
- While 56% rank receiving a *trophy, plaque, or certificate* within their bottom seven, 14% rank it within their top seven.

There is no recognition strategy that is universally embraced or dismissed.

- Younger workers, such as those in the Gen Z (18-22) and Millennial (23-39) age categories show a higher preference for developmental opportunities, such as *being given more responsibility at work*.
- Younger workers also place higher value on *having dinner or lunch with company management* as this also is seen as aiding their upward mobility in the company.

- Those in the Gen X and Boomer categories place more focus on recognition opportunities that allow them to spend more time and have experiences with their families, such as *paid days off, company paid lunches and dinners, and opportunities to experience special events.*

There are some gender differences in reward preferences.

- Females have a greater preference for *gift cards, award points, and food gifts, as well as flexible scheduling and paid lunches or dinner with their families.*
- Males gravitate more toward developmental rewards such as *being given more responsibility, having lunch or dinner with their supervisors and being able to mentor other employees.*

Annual Rewards: Employees Express Strong Preference for Cash Bonuses

While *cash bonuses* received a top three rank from 88% of respondents, other annual rewards were associated with higher levels of engagement and motivation, as will be explained later in this paper. Often *cash bonuses* are treated similarly to compensation and used to pay expenses rather than having the same trophy value or emotional resonance as some of the other reward options.

The only other annual rewards that had over 30% ranking them in their top three were:

- *Getting an extra week of paid time off (62%)*
- *An incentive travel award for yourself or a companion (38%)*
- *Significant merchandise gift (32%)*

Highly Preferred Reward & Recognition Types Are Significantly Under-Utilized

Many highly preferred recognition types were awarded to less than 10% of respondents.

- Even though 51% ranked *having the company pay all expenses to a special event* within the top seven preferences, only 3% reported receiving this form of recognition.
- *Having lunch or dinner with your family* was preferred by 47%, awarded to 6%
- *Receiving a food gift* was preferred by 38%, awarded to 6%
- *Receiving points that can be accumulated and redeemed* was preferred by 33%, awarded to 7%

However, two forms of recognition that ranked high in preference, *flexible scheduling* and *paid time off* were the two most common ways people were recognized.

Satisfaction with Recognition Has a Clear Impact on Engagement Outcomes

The data make a compelling case for the impact of recognition on employee engagement outcomes. Respondents were asked to rate various facets of engagement. Being extremely satisfied with recognition is associated with increases in job satisfaction by a factor of 14x, compared to those dissatisfied with recognition efforts.

Comparing those who are most satisfied with recognition versus those dissatisfied, also showed that those who are most satisfied are:

- 11x more likely to look forward to coming to work every day
- 7x more likely to have an intention to remain with the company long-term
- 15x more likely to recommend the company to prospective employees as a place to work
- 6x more likely to recommend the company's products and services to others
- 5x more motivated to give their best possible effort every day
- 12x more likely to invest money in their company if given the opportunity to do so

The Relationship Between Satisfaction and Engagement Incomes (5 point scale)

Incentive	Extremely Satisfied with Recognition	Dissatisfied with Recognition	Neutral or Somewhat Satisfied
I am completely satisfied with my job.	4.66	2.66	3.74
I look forward to coming to work every day.	4.53	2.72	3.70
I would be very happy to spend the remainder of my career with my present company.	4.71	2.89	3.88
I would absolutely recommend my employer to friends and family as a place to work.	4.67	2.59	3.78
I would confidently recommend my company's products and services to friends and family.	4.62	3.03	3.89
If I was able to do so, I'd invest my own money in my company.	4.29	2.29	3.37
I feel motivated every day to give my best possible effort.	4.69	3.12	3.91

Average Item Rating (1=Low to 5=High)/Percent 'Strongly Agreeing'

The Most Popular Rewards Are Not Always Associated With High Levels of Engagement

While the sample sizes were not always large, the study looked at which rewards were most associated with high engagement levels. As an example, the five recognition approaches shown below are associated with the highest scores on job satisfaction. The reward types that were associated with the highest levels of job satisfaction were (ratings on a 5 point scale):



Note that *Getting a special parking spot at work* and *getting recognized in the corporate newsletter* were among the lowest rated preferences. The data show that certain types of recognition are associated with favorable job satisfaction, as well as other positive engagement scores. This suggests that, while some things may not be a top of mind preference, they are still greatly appreciated by the recipients.

Another theme that emerges from these items is the focus on family (e.g., *having a gift or token of appreciation sent to family members*, *having lunch or dinner with your family paid for by the company*) which re-emphasizes the high importance many people place on their families during this time of national challenge. It underscores the importance of recognizing ‘family’ as a strong cultural value of companies.

Annual Rewards: Cash Bonuses Are Also Not Strong Drivers of Engagement

With regard to annual awards, cash bonuses were almost universally a top pick of how employees wanted to be rewarded. Yet, receiving a cash bonus was ranked sixth when rewards were correlated to *job satisfaction* and *for motivation to do best work*.

Job Satisfaction Ratings Associated with Reward Type



Baseline (everyone) 3.68

Motivation Ratings Associated with Reward Type



Baseline (everyone) 3.89

Shifts in Preferences in Tangible Non-Cash Rewards Since the Pandemic

Given that the world has changed dramatically since the pandemic, we would expect that preferences in how people like to be recognized and rewarded would change as well.

However, the study revealed that **only 16% indicated their reward and recognition preferences had changed**. Among this 16%:

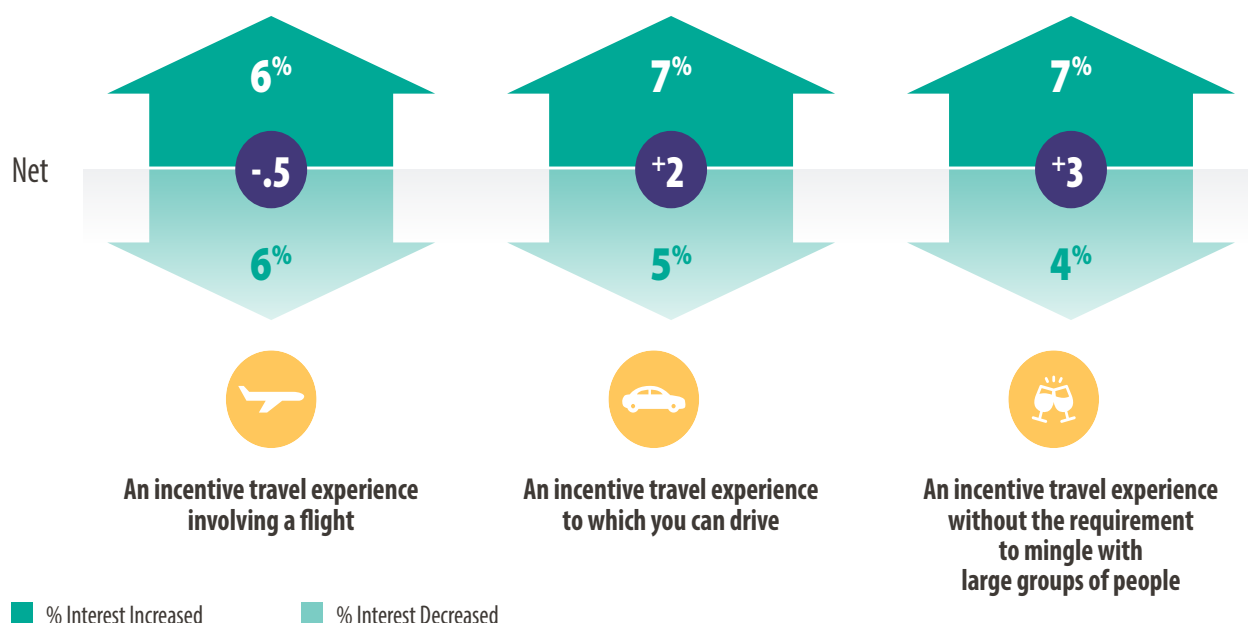
- There was an increased preference for rewards with direct monetary value like cash bonuses, gift cards, and merchandise.
- When asked to explain this shift in preferences, the most frequently cited reasons were either reduced or increased working hours, for which people wanted to be compensated.
- People also mentioned reductions in household income and corresponding increases in grocery costs as reasons for their shifts in preferences.
- People also showed an increased preference in flexible scheduling, often citing the importance of having more time to spend at home with their families.

Interest in Incentive Travel Still High Since Pandemic

Since there was wide variation in interest and willingness to travel, we looked at net interest in rewards. Some respondents indicated they did not want to travel, while others showed an increase in incentive travel experiences, particularly those that were within a driving distance and involved less interaction with people.

- The net decrease in interest in travel experiences that involved flying was less than 1%.
- Those interested in regional experiences to which you could drive, or those with limited interaction, increased by 2%-3%.

Shifts in Incentive Travel Preferences Since the Pandemic



** Numbers have been rounded*

Summary and Key Insights

Rewards and Recognition

- The study provides strong evidence of the relationship between the quality of a company's recognition program and employee engagement.
- Employees differed in how they liked to be recognized for their work contributions.
- Widely different preferences exist with regard to the rewards and delivery of recognition
- There was no consensus on whether people like to be recognized publicly or privately, although the data suggested there was a greater proportion who appreciated private recognition.
- Choice of award options is an important aspect of an effective recognition/reward program.

Family Matters

- People would prefer experiences with their families than with their managers and co-workers, but this type of reward is given infrequently.
- Providing a gift or token of appreciation to one's spouse or family is something that is not done often but is associated with improved engagement outcomes.

Effects of the Pandemic

- The pandemic has created a greater desire for flexible hours to accommodate the changing needs of the family.
- For those whose hours have been increased, desire for increased compensation, either by direct cash bonuses, or through receiving gift cards and merchandise.
- There is still generally an interest in travel experiences, and these experiences are associated with high engagement levels.
- People show a slight shift in preference more toward regional experiences to which flying is not a requirement, and experiences that require less interaction with others.

Determining Preferences

- There is an opportunity to increase program effectiveness by better understanding your individual employee population.
- Depending on factors such as age, gender, life stage, etc., there is significant variation on how to best recognize and motivate people.
- Conducting a survey to identify preferences can help maximize program effectiveness.
- Having each manager simply asking employees questions about their preferences is a good to personalize recognition.

Motivating Behavior and Making an Impact

- Cash bonuses are almost universally prioritized as the most important way people want to be rewarded for having a good year. Yet, cash bonuses frequently become expected, or treated as part of compensation, and did not highly correlate to motivation or job satisfaction.
- The key takeaway is to find a balance between giving recognition that people want, while understanding that some lower priority recognition strategies are often associated with higher levels of employee engagement. For example, *having a token of appreciation sent to your spouse or family members* was ranked fourteenth in reward preferences, but was the second highest reward on the motivation ratings.
- This suggests a complimentary strategy where desirable recognition is given but supplemented by other things that make people feel good about their jobs or represent unexpected perks or acknowledgement of exceptional performance.

Table 1. Recognition Preference Rankings

Reward	% Top Three	% Next Four	% Top Seven	% Bottom Seven	% Next to Bottom Seven	% Bottom Three	Top 3/Bottom 3 Differential	Top 7/Bottom 7 Differential
Getting a paid day off	49%	21%	70%	9%	5%	4%	45%	61%
Getting a gift card for food or merchandise	33%	25%	58%	15%	9%	6%	27%	43%
Having the company pay all expenses to a special event experience	21%	30%	51%	13%	8%	5%	16%	38%
Flexible scheduling	27%	23%	50%	15%	9%	6%	21%	35%
Having lunch or dinner with your family paid for by the company	17%	30%	47%	17%	10%	7%	10%	30%
Receiving a food gift (e.g., chocolates, steaks, cheese, fruit baskets)	11%	27%	38%	26%	14%	12%	-1%	12%
Being recognized or thanked by your company's leadership for outstanding work	15%	15%	30%	19%	13%	6%	9%	11%
Receiving points that can be accumulated or redeemed for a prize of your choice	11%	22%	33%	25%	15%	10%	1%	8%
Having your direct manager recognize and sincerely thank you for your work	12%	16%	28%	21%	14%	7%	5%	7%
Being given freedom from strict managerial oversight on how you do your work	13%	15%	28%	23%	15%	8%	5%	5%
Being provided an opportunity to work on an interesting new project	11%	13%	24%	25%	17%	8%	3%	-1%
Having the opportunity to attend a conference or seminar paid for by your company	9%	17%	26%	27%	17%	10%	-1%	-1%
Being recognized or thanked by your peers for outstanding work	8%	15%	23%	25%	17%	8%	0%	-2%
Having a gift or token of appreciation sent to your spouse or family members	7%	17%	24%	28%	18%	10%	-3%	-4%
Having lunch or dinner with your department	5%	17%	22%	33%	18%	15%	-10%	-11%
Going out for an early 'happy hour' after work	5%	14%	19%	37%	21%	16%	-11%	-18%
Getting recognized in the corporate newsletter or publication	6%	10%	16%	38%	23%	15%	-9%	-22%
Having lunch or dinner with your supervisor or company management	4%	11%	15%	38%	21%	17%	-13%	-23%
Being given more responsibility at work	9%	10%	19%	44%	21%	23%	-14%	-25%
Being given the opportunity to mentor other employees	5%	10%	15%	40%	24%	16%	-11%	-25%
Having an email sent around your company recognizing your achievements	6%	9%	15%	41%	24%	17%	-11%	-26%
Getting a special parking spot at work (e.g., 'Reserved for employee of the month')	6%	11%	17%	43%	23%	20%	-14%	-26%
Receiving company logoed merchandise (e.g., shirts, handbags, coffee cups, etc.)	5%	12%	17%	43%	20%	23%	-18%	-26%
Getting a certificate, trophy, or plaque	5%	9%	14%	56%	25%	31%	-26%	-42%

Table 2. Reward Preferences

Reward	Average Ranking (1=High 10=Low)	% Ranking 1-3	% Ranking 8-10
Cash Bonus	1.87	88%	2%
An extra paid week of personal time off	3.64	62%	10%
Incentive travel award for yourself and a companion	4.48	38%	11%
A significant merchandise gift	4.90	32%	15%
A large number of points that can be redeemed for a desirable award	5.82	17%	26%
An upgrade in your job title	5.88	23%	31%
A meaningful experience customized to your own preferences	6.08	12%	27%
A promotion involving more responsibility at work	6.64	17%	45%
Company wide recognition as a 'top performer'	7.47	8%	60%
A large trophy or plaque for your wall or office	8.22	4%	73%