

The Changing Face of Employee Recognition and Reward



Human resource professionals have long considered annual performance reviews the gold standard for leaders who want to retain talented employees. But that's changing.

The importance of employee feedback

According to a recent survey by Clutch, a leading B2B ratings and reviews website, just 15% of large business employees report not receiving any feedback from their manager.¹ In contrast,

42% of small- and medium-sized business employees say they don't receive feedback or accurate, consistent evaluations from management. Not surprisingly, half of these employees feel "unfulfilled" in their jobs, leading to low morale and complacency — sure-fire productivity killers.

Regardless of employer size, one thing is clear: feedback is important to employees.²

But two stats in particular show the disconnect between managers and employees when it comes to giving and receiving feedback:

65% of employees say they want more feedback.

58% of managers think they give enough feedback.

 Companies that implement regular employee feedback see **15% lower turnover rates.**

Four out of 10 workers who get little or no feedback



are actively disengaged, meaning they're not merely disinterested, but may express their unhappiness by undermining coworkers and sabotaging projects.



Employees are **two times as likely to be actively disengaged if ignored by their manager.**

82% of employees appreciate receiving feedback, whether positive or negative.



The takeaway:

Managers must adjust to the fact that there's no such thing as "enough feedback" if they hope to retain top employees.

Millennials forging a new norm

It's only natural for employees to crave recognition and reward. And most employers over the years have made an honest effort to fill that need — typically in the form of performance reviews and rewards, as well as picnics, parties, and plaques. But many policies and incentives that have worked in the past are no longer effective. As such, companies that don't adapt and find new ways to attract talent may face a shortage of motivated employees.

If you're a small- or medium-sized business owner, think about performance management over shorter time periods, such as quarterly or monthly, to more accurately gauge performance. In addition, there are other opportunities to recognize employees.

Due largely to millennials — an entire generation that grew up on immediate and continual feedback through social media — there's a growing expectation for managers to provide far more frequent reviews and more elaborate reward systems. Considering that "one out of every three U.S. workers is a member of the millennial generation" — replacing Gen Xers as the largest segment of the labor force³ — the move toward more immediate gratification in the workplace could take root. Therefore, employers of all sizes should reconsider how to best manage and reward talent.

Traditional methods not dead yet

Despite the growing need to accommodate the new (younger) face of today's labor force, leaders are fairly slow to adopt new systems of employee recognition and reward. Of the several types of feedback measured in the Clutch survey, verbal feedback is still used by 35% of small- and medium-sized businesses and 57% of large businesses — ahead of all other forms.

What does need to change, however, is the way in which managers deliver feedback — whether verbally or otherwise. Today's workers not only want more constant feedback, they want it to be timely and genuine. The bottom line: your employees want to be recognized by you in any form. In a 2015 Blackhawk Happiness Study, millennials were happiest when they received recognition in a personal email from 1) their manager and 2) a company executive.⁴

Two other traditional means of recognition and reward that still resonate include providing high performing employees with “job enrichment” assignments and professional growth and development. Such opportunities help workers develop new skills, expand their

knowledge, and increase visibility, all while making them feel valued and appreciated.

Trendier incentives catching on

Non-monetary rewards are gaining in popularity. Perhaps the most highly valued such reward is a flexible work arrangement. In a recent study of employee wants, 46% of workers said that having more control over their time is one of the most important factors when looking for a new job.⁵

Social recognition platforms are motivating to millennials as well. According to *Entrepreneur* magazine, 71% of this generation say that they engage in social media — including posts, photos, blogs, email, and texting — for about 5.4 hours a day.⁶ Considering that something as minor as a picture-perfect cannoli gets posted online, imagine the delight of sharing significant work-related recognition with peers and professional networks.

Finally, at some organizations, employees who find ways to save the company money get 10% of the savings back as reward points, which they can redeem for sports tickets and products from major brands.⁷ Gift cards are also an especially popular employee incentive, even over vacation and leisure packages.

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Embracing the shift

Ultimately, all employees want the same thing — a kind word for a job well done. The key is how you deliver it. Depending on the makeup of your workforce, the best approach may be to blend both old and new methods of recognition and reward that encourage employees to remain engaged and productive members of your team.

Implement what works for your company

With ADP® as your HR partner, we'll work with you to design a performance management program that works. We'll help you redefine how your managers offer feedback and provide them with proper training to make it part of your company's DNA. We can also help you build or refine an employee rewards program to reinforce the award-worthy behaviors of your employees.

¹ Clutch HR Employee Feedback Survey, 2016.

² Statistics on the Importance of Employee Feedback, October 7, 2014.

³ Millennials surpass Gen Xers as the largest generation in U.S. labor force, May 11, 2015.

⁴ Blackhawk Happiness Study, April 2015.

⁵ Why Workplace Flexibility Is The Linchpin to Employee Happiness, June 29, 2015.

⁶ Millennials Spend 18 Hours a Day Consuming Media And It's Mostly Content Created by Peers, March 10, 2014.

⁷ Be a Bottom-Line Contributor by Saving Your Company Money, February 2017.