

The Great Resignation

PART 02

Considerations for creating your total rewards strategy to recognize & reward employees.

Last month we talked about a few ways companies can avoid being victims of “the big quit,” and we highlighted the importance of creating regular recognition experiences as part of a total rewards strategy. In this issue, we want to talk about a few considerations for creating a total rewards strategy (and how cash is a short-term solution).

An article on [bbc.com](https://www.bbc.com) just two months ago highlighted that the Great Resignation is turning into “the great reshuffle.”¹ To us, that’s great news! Why? Because it means there’s a chance. We have an opportunity to change the minds and alter our most valuable employees’ experiences to retain them. And that “while the Great Resignation implies people are leaving the workforce, a large swath of workers are simply reconfiguring what their careers look like.”¹

So what can be done to find the balance for your total rewards strategy? Here are a few considerations.

True loyalty is built on interactions, not transactions.

An interesting study was published by the Incentive Research Foundation in November of 2021 (“The Psychology of Points”). In this study, they found employee rewards programs (based on points) are enormous motivators for employees, provide important engaging strategies, and offer a means of connection. Further, their findings suggest “there is a psychological aspect to points reward programs, one that goes beyond the basic transactional elements of receiving and redeeming points for tangible rewards, and even past the well-known psychological benefits of receiving recognition and appreciation.”²

It’s encouraging to see such a comprehensive study in light of the vast fluidity of the employee job market today. This study underscores what we have seen from our clients’ success - think about rewards and recognition as more than just a cash payout; more than just a one-off initiative; but rather a strategy with consistent and frequent touchpoints that accounts for interactions and connections your employees seek.



“Employees care more about the recognition, appreciation, and belonging associated with receiving points rewards than what the points are redeemed for,” and “find points themselves memorable, (e.g., “points feel like gifts”).”²



Multi-dimensional rewards strategies (or the total package) offer different things for different people.

Making every employee happy with the same strategy isn't always realistic. Finding the right balance and mix when it comes to tangible rewards is important. Keep your employees' preferences in mind, because different things motivate different people; especially today. Grace Lordan, associate professor in behavioral science at the London School of Economics, believes "much of the movement in the job market is a reshuffling: workers shifting their career path, gradually making their way to companies offering work arrangements and perks that match their preferences."¹ Choice is important, and a one-dimensional rewards strategy will not drive retention.

Investing in your culture with recognition and tangible rewards will always be a better bet for the long term.

During this period of change, cash can be used as a temporary fix in the short term for compensation issues. But for long-term viability and sustainability, investing in a total rewards strategy, inclusive of tangible rewards, can lead to a stronger company culture. We've seen clients who gave substantial cash bonuses to employees in 2020 with limited impact. In 2021, and now heading into 2022, these clients are reallocating those cash bonuses to double down on the investment in their tangible rewards and recognition strategy and realizing significant impact.

McKinsey recently conducted a study comparing and contrasting what factors employees think are important versus what factors companies think are important. They noted that "Yes, they [employees] want pay, benefits, and perks, but more than that they want to feel valued by their organizations and managers."³ This absolutely underscores the point that companies must embrace a total rewards and recognition strategy.

"Rather than take the time to investigate the true causes of attrition, many companies are jumping to well-intentioned quick fixes that fall flat: for example, they're bumping up pay or financial perks, like offering "thank you" bonuses without making any effort to strengthen the relational ties people have with their colleagues and their employers. The result? Rather than sensing appreciation, employees sense a transaction. This transactional relationship reminds them that their real needs aren't being met."³



¹ <https://www.bbc.com/worklife/article/20211214-great-resignation-into-great-reshuffle>

² <https://theirf.org/research/academic-research-in-action-the-psychology-of-points-reward-programs/3232/>

³ <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/great-attrition-or-great-attraction-the-choice-is-yours>