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RESEARCH REPORT

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# The Role Incentives, Rewards and Recognition Programs Have in Today's Performance Management



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As the nature of the workforce and work itself has changed, so has the how organizations use incentives, rewards and especially recognition to compete and to motivate.

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# EXECUTIVE SUMMARY

Incentive, rewards and recognition programs, long disjointed, even haphazardly administered, are beginning to coalesce into reasoned and organized approaches to performance management. This is a trend that is just beginning to be recognized. It is driven by multiple forces, but principally by a historically tight labor market and the competitive need for workforces to be high performing. Engagement is no longer a measure HR annually reports, but a KPI of performance and productivity.

Our findings from interviews, reports, research and data show:

- 93% of organizations are aligning their rewards programs with organizational goals. Only a third of organizations say performance or productivity motivation is a primary goal.
- 71% of organizations say the objective of their programs is to increase employee engagement.
- 45% of companies see IRR programs as strategic, training managers on how to use them, encouraging and monitoring their usage.
- Non-cash incentives are taking on an ever greater importance. In 1996 24% of organizations reported using non-cash incentives. In 2016, 84% were.
- The effectiveness of cash-based annual incentive plans is questionable. 42% of companies see them as effective; 36% are undecided.
- Non-cash incentives in the form of recognition awards, gifts, merchandise, travel and the like have a greater impact on engagement, in the view of 37% of HR total rewards professional. Less than a third say that about cash.
- More public and private companies have extended annual incentive plans to non-exempt workers. The percentage at private companies has grown in five years by 18%. Today, two-thirds of private companies include rank and file worker.

